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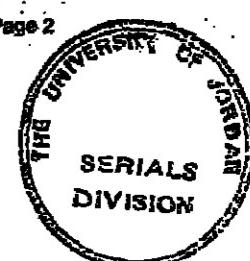
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FINANCIAL TIMES

The Financial Times newspaper

TUESDAY FEBRUARY 1 1994

D8523A

Fiat faces record £1,800bn loss, but forecasts recovery

Fiat, the vehicle and industrial group, issued preliminary figures for 1993 pointing to one of the biggest annual losses in Italian corporate history. The company is set to report a net loss of about £1.8 billion (\$1.6 billion) when full figures are released in May. However, Gianni Agnelli, chairman, forecast that the group would break even in the current year. Page 19

End killings of Inkatha, says Mandela

African National Congress leader Nelson Mandela (left) urged his followers to stop killing members of the Zulu-based Inkatha Freedom party, as negotiators from the two parties met for further talks aimed at averting serious ethnic conflict. The rightwing freedom alliance and the ANC said they would today consider their negotiating positions in a final attempt to amend the 1983 constitution to accommodate rightwing demands for regional autonomy. Page 4

Mirror pensioners get \$48m settlement

The Mirror Group Pension Scheme Trustees have received £32m (\$48m) from three securities houses in an out-of-court settlement to their legal dispute over assets lost during the Maxwell scandal. Page 18

Polish shares dip after sacking: Share prices fell sharply on the Warsaw stock exchange as investors reacted to the dismissal of the minister in charge of privatising the banks. Page 18

Sinn Féin president to press his case:

Sinn Féin president Gerry Adams will today turn his back on the furious row which has erupted over his visit to the US and launch a concerted, 48-hour campaign to press home the Republican case for a political solution in Northern Ireland. Page 10; Joe Rogaly, Page 16

MasterCard International, second-largest US credit card association, appointed former top Midland Bank executive Eugene Lockhart as its new chief executive just seven days after its predecessor unexpectedly resigned. Page 19

Lawson backed for OECD: The British government is backing Lord Lawson, the former chancellor, to be the next secretary-general of the Paris-based Organisation for Economic Co-operation and Development. Page 10

Crimians vote to rejoin Russia: Yuri Meshikov became Crimea's president-elect after winning a landslide victory on a platform of re-integrating his republic into Russia. Page 3

SPD urges fresh wage talks: Leaders of the German opposition Social Democrats appealed for wage negotiations to resume as thousands of engineering workers across the country held protest strikes over pay increases. Page 3

Somali deaths as US troops open fire:

At least five Somalis were reported killed and others wounded when US marines opened fire on gunmen who ambushed a convoy of US diplomatic cars in Mogadishu, a US official said. Page 6

Italian bank executives arrested: Milan magistrates issued arrest warrants for the top management of Cariplo, Italy's largest savings bank and one of the country's leading financial institutions, on charges of corruption. Page 2

UK spending rise predicted: Consumer spending in the UK is expected to increase by 17 per cent in real terms over the next five years, market research organisation Mintel says. Page 10

Israeli health move deepens rifts: A special session of Israel's cabinet approved a controversial health insurance proposal, deepening rifts in a fragile coalition government. Page 4

Bolivia plans far-reaching privatisation:

Bolivia's new government authorised the transfer of six state companies to private investors and to Bolivia's 3.2m people, in a scheme inspired by eastern Europe's mass sell-offs. Page 8

Fire wrecks Barcelona opera house:

Barcelona's famed Liceo theatre, one of the world's largest opera houses, was destroyed by fire, its director Josep Carreras said. The 18th century hall was declared a total wreck.

French novelist Pierre Boule dies:

French novelist Pierre Boule, whose novels *Bridge on the River Kwai* and *Planet of the Apes* were turned into screenblockbusters, has died aged 81, his publisher said.

STOCK MARKET INDICES

	US STOCK MARKET INDICES	US STERLING
FTSE 100	3,491.8	(+4.4)
W&G	337	\$ 1.502
FTSE Eurotrack 100	1,540.19	(+29.57)
FTSE 400 - Prefs	1,745.95	(+1.15)
FTSE 100 - Prefs	20,223.12	(+141.24)
New York Luchtime	1,392.30	(+5.87)
Ch Jones Ind Prefs	482.36	(+3.65)
S&P Composite	510.25	(+2.5)
US LUNCHTIME RATES		
Pedder Powers	534.4%	
Sing Trad Eqs Prefs	3,087.75	
Long Bond	100.1	1.73745
Yield	6.19%	5.856
LONDON MONEY		
3m Interbank	5.1%	(+0.01)
Liba long rate Mar 119, 1994	1,734.4	(+72.8)
NORTH SEA OIL (Argus)		
Brent 72-day Merv	\$14.145	(+0.13)
Gold		
New York Comex Gold	\$381.2	(+7.5)
London	578.25	(+7.5)

DOLLAR

LONDON MONEY

LIBOR

INTERBANK

LONG BOND

YIELD

STOCK MARKET INDICES

STERLING

US LUNCHTIME RATES

US STERLING

US STOCK MARKET INDICES

US STERLING

US STERLING

US STOCK MARKET INDICES

NEWS: EUROPE

Four top executives at Italian bank arrested

By Robert Graham in Rome

Milan magistrates yesterday issued arrest warrants for the top management of Cariplo, Italy's largest savings bank and one of the country's leading financial institutions, on charges of corruption.

The warrants were for Mr Robert Mazzotta, chairman, Mr Carlo Polli, deputy chair-

man, and two senior executives, including the head of Cariplo's pension fund.

This is the biggest single judicial action against the senior management of a large Italian bank since the corruption scandals first broke two years ago.

It also underlines the way in which magistrates are begin-

ning to direct their attention to the activities of financial institutions.

Yesterday's move brings to 13 the number of senior bankers from seven different banks and savings institutions who are under investigation for various offences ranging from fraud and corruption to conspiracy to bankruptcy.

The latest charges mainly relate to activities involving

the sale and purchase of property by the Milan-based Cariplo's pension fund during the period 1985-92. Milan magistrates are reportedly investigating allegations that up to Lira (€38m) had been paid to the Christian Democrat and Socialist parties in illicit funds camouflaged by phoney property deals.

Mr Mazzotta, 54, is a former

Christian Democrat deputy and one-time minister of regional affairs. Mr Polli was a Socialist senator in the outgoing parliament. Both were regarded as political appointees — a reminder that top management in Italy's publicly-owned financial institutions have long owed their appointments to the leaders of the governing political parties.

Yesterday Mr Mazzotta was reported in London. Mr Polli, however, was arrested along with the two other Cariplo executives.

Apart from Cariplo, executives at the following financial institutions are involved in corruption allegations: San Paolo di Torino; Popolare di Novara; Banca Commerciale Italiana; Banca di Roma;

Cassa di Venezia; and Carmonte Modena. Turin magistrates are currently investigating allegations that Mr Gianni Zandona, chairman of the powerful San Paolo di Torino, was involved in the fraudulent bankruptcy of the Domini finance group and doing favours for elements inside the Christian Democrat party.

Investors' interest wanes in Portugal

By Peter Wise in Lisbon

Direct foreign investment in Portugal fell by 43 per cent to \$112m (247m) in the first seven months of last year, compared with the same period in 1992, according to the central bank.

Total foreign investment over the period was \$2.2bn but disinvestment rose to \$50m. The financial and real estate sectors attracted 52 per cent of the total. Only 24 per cent went into manufacturing.

Portuguese authorities say they do not fear growing competition from eastern and central Europe for inward investment because Portugal offers the bonus of European Union membership.

But the figures appear to indicate that some potential industrial investors are finding eastern Europe's lower wages and closer proximity to large markets more attractive.

New corporate capital accounted for \$12m of the total amount invested, capital increases for \$16m and investment in securities for \$63m.

NEWS IN BRIEF

Slovenia and Croatia in pact

Slovenia and Croatia, the ex-Yugoslav neighbours at loggerheads over issues ranging from borders to banking, look set to establish normal ties. Reuters reports from Davos, Slovenia's prime minister, Mr Janez Drnovsek, said yesterday: "We will sign a trade agreement next week with Croatia. It seems we will normalise relations."

Mr Drnovsek, in Davos for the World Economic Forum of business and political leaders, had talks last week with his Croatian counterpart, Mr Nikica Valenovic, in Ljubljana, the Slovenian capital. These covered a jointly-owned nuclear power station in Slovenian Krsko, a dispute about the operations of Slovenia's biggest bank in the Croatian capital, Zagreb, and disagreements about the common border.

Mr Drnovsek said the border disputes had not been settled and would have to be examined by an inter-state commission. But there were signs of a resolution to the other issues.

RFE targets former Yugoslavia

US-funded Radio Free Europe yesterday started a news service to former Yugoslavia intended to counter what it called ethnic manipulation and biased reporting in the state-run local media, Reuters reports from Bonn.

The hour-long daily broadcasts would try to provide balanced news about former Yugoslavia and encourage a public discussion of peace and reconciliation, an RFE spokeswoman said.

Munich-based RFE and its sister station Radio Liberty have broadcast to eastern Europe and the former Soviet Union since the early 1980s but never had a service for the Yugoslav federation.

Bulgaria deal for UK radio group

GWR Group, a big shareholder in Britain's Classic FM radio station, has bought a minority stake in Bulgaria's first independent radio station, company officials said yesterday. Reuters reports from Sofia. Radio FM Plus was the first private radio to be licensed two years ago to compete with Bulgaria's state radio after the collapse of communism in 1989.

Correction

Mr Stefan Kawalec

Mr Stefan Kawalec, recently dismissed as the Polish deputy finance minister, is a non-party financial expert and not a member of the Left Democratic Alliance as stated on Page 2 of the January 31 edition.

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NEWS: INTERNATIONAL

End killings of Inkatha, says Mandela

By Patti Waldmeir in Pretoria

African National Congress leader Nelson Mandela yesterday urged his followers to stop killing members of the Zulu-based Inkatha Freedom party, as negotiators from the two parties met for further talks aimed at averting serious ethnic conflict.

After meeting briefly yesterday the right-wing freedom alliance and the ANC said they would today consider their negotiating positions in a final attempt to amend the 1983 constitution to accommodate right-wing demands for regional autonomy. Full tripartite talks, including the government, would resume later in the week.

There is no legal hurdle to further discussions, as under the electoral law, the last possible moment for agreement is still as much as three weeks away.

The law states that parties must register for elections no more than 10 days after the planned April 27-29 election is officially promulgated. This has not yet been done, and promulgation could be as late as February 24.

Inkatha and the white right will determine whether to reg-

ister for elections on the basis of whether the constitution is amended in their favour. But negotiators from all sides said time was running out, with President FW de Klerk expected to proclaim the election this week to allow complicated preparations for the first all-race poll to begin.

Right-wing parties also want a solution, knowing that, if they decide to enter the poll, they will have lost valuable campaign time.

ANC negotiator Mr Joe Slovo said on radio he was pessimistic about a breakthrough in the three-month stalemate between the government, ANC and the conservative Freedom Alliance, but "while there's talk, there's life."

At the weekend, supporters of both Inkatha and white right Afrikaner Voortrekker (Afrikaner People's Front) made clear their rejection of the poll, though neither party has yet made a final decision on participation.

Mr Mandela reacted to weekend news of right-wing opposition by trying to reassure right-wing Afrikanners they can vote separately for their own homeland, a key demand from conservative Afrikanners.

He made no such concession



ANC president Nelson Mandela reaches out to a cheering crowd of 10,000 in Ikageng, western Transvaal, yesterday

to Inkatha, which is demanding strong powers for regional governments, but called for peace between his supporters

and those of Inkatha Chief Mangosuthu Buthelezi.

"It is disturbing there are some people who want to kill

every Zulu because they believe every Zulu is Inkatha," Mr Mandela told a crowd of 10,000 in Ikageng township out-

side Potchefstroom, western Transvaal. ANC members should reason with their opponents, not kill them, he said.

Israeli health move deepens coalition rift

By Julian Ozanne in Jerusalem

A special session of Israel's cabinet yesterday approved a controversial health insurance proposal, deepening rifts in a fragile coalition government.

Approval of the health insurance compromise will force the resignation of Mr Haim Ramon, health minister.

By a 9-5 majority, the Labour-led cabinet backed a compromise endorsed by the Labour convention on Sunday, rather than opting for a bill put forward by Mr Ramon which would have separated the trade union movement from health-care contributions.

Mr Ramon's bill also called for all insurance contributions to be collected by the National Insurance Institute rather than the Kupat Holim Clalit, the health-care arm of the trade union federation. The Labour convention compromise, endorsed by the cabinet, maintains the link between the trade union and the Kupat Holim, leaving the Kupat Holim with 50 per cent of the insurance dues.

Mr Ramon and the four cabinet ministers from the left-wing Meretz party opposed the compromise move.

After the vote Mr Ramon, a popular figure among the young reform generation of the Labour party, said he would resign at next Sunday's cabinet meeting. Prime Minister Yitzhak Rabin is anxious to retain Mr Ramon and is trying to persuade him to stay, possibly as minister without portfolio.

The health insurance compromise is unpopular in the country and could be voted down in the Knesset (parliament), threatening the government and its peace platform. Mr Benjamin Netanyahu, leader of the opposition Likud, said his party would oppose the compromise and vote for Mr Ramon's original bill.

If Mr Ramon leaves the government, it would weaken the coalition, already enfeebled after the ultra-orthodox Shas party left the coalition last year after charges of corruption were brought against two Shas ministers.

The internal difficulties came as Mr Yael Singer, legal

adviser to the Foreign Ministry, was due back in Israel from Switzerland to present a draft Israel-PLO agreement to Mr Rabin.

The draft was hammered out in Switzerland between Mr Shimon Peres, foreign minister, and Mr Yassir Arafat, Palestine Liberation Organisation chairman.

Israeli officials said the main obstacles to a final agreement to implement Palestinian self-rule in the Gaza Strip and West Bank area of Jericho had been largely agreed, but some details remained unresolved.

Mr Rabin has apparently taken a tougher position on



Yitzhak Rabin: anxious to retain Mr Ramon

control over border crossings and the size of the Jericho area than his foreign minister.

Mr Said Kamal, the PLO envoy to Egypt, yesterday confirmed the details of the Peres-Arafat compromise and said: "Rabin has the final word now and reaching agreement depends on his approval of the compromise reached between Peres and Arafat."

A drafting team from both sides will meet in Cairo this week before Mr Peres and Mr Arafat meet on Sunday in the Egyptian capital, where they could initial the agreement.

Britain withdraws Kenya forest aid

By Leslie Crawford in Nairobi

Britain's Overseas Development Agency has withdrawn a £12m grant for a forestry conservation programme in Kenya because of concerns over unregulated land use in protected forest reserves.

This is the first aid-funded project to be cancelled since the international donor community restored financial assistance to Kenya last November. Balance-of-payments aid had been frozen for two years over allegations of corruption and economic mismanagement, problems which have not been fully addressed.

The British High Commission yesterday said it had been "unable to agree on mutually acceptable conditions for further support for the Kenya Indigenous Forest Conservation project".

The ODA is believed to have pressed the Kenyan government to end the illegal allocation of protected forest areas to members of the ruling KANU party and their acolytes. It also demanded an end to unregulated logging concessions, which are destroying Kenya's tropical hardwood forests.

It is believed the vation project was cancelled when the government failed to provide these assurances. Government officials were unavailable for comment.

Land has always been a political issue in Kenya because of the scarcity of arable land for a rapidly growing population. It is a main cause of ethnic violence in Kenya.

Dr Richard Leakey's resignation as director of the Kenya Wildlife Service last month was also triggered by the political hunger for land. He contended that his refusal to grant mining or commercial concessions within Kenya's nature reserves provoked a vendetta against him.

Secret talks between senior officers and representatives of FIS have come to nothing, and Mr Ali Benhadj, one of the more fiery FIS leaders, has written from prison that nothing is possible until "those who suspended the elections two years ago and split the blood of Moslem children are brought to trial".

Some in the military are convinced that a genuine attempt to talk provides the only hope of separating moderates from the more revolutionary fundamentalists, such as the Armed Islamic Group who have claimed responsibility for the killing of foreigners and foreign wives of Algerians.

Some officers fear that without dia-

ANC tries to heal mines investment confidence

By Matthew Curtis in Johannesburg

The African National Congress is stepping up its efforts to repair damage to investor confidence in South Africa caused by what it says is misunderstanding by foreign investors and the mining industry of its draft mining policy.

While the ANC is determined to see mineral rights fall under state control, it is increasingly concerned that change takes place after consultation with the mining houses, trade unions, and foreign mining companies operating in South Africa.

Despite an acrimonious meeting between the ANC and mining industry representatives last week, the organisation and the Chamber of Mines are moving towards a more constructive relationship.

The chamber is preparing an

official response to the ANC proposals before a meeting tomorrow at which the two sides will draw up guidelines and a timetable for more talks.

Mr Paul Jourdan, the organisation's co-ordinator of mineral and energy affairs policy, said yesterday the ANC had no plans to set up a state-run marketing corporation with control over the pricing of South African mining output, and had no intention of expropriating or nationalising mineral rights or mining companies.

Clauses in the draft mining policy document referred only to the establishment of a formal minerals auditor to monitor export pricing, a job which the South African Reserve Bank was already doing.

Mr Jourdan said research showed that although the mining sector seemed to be one source of irregular capital

flight from South Africa through transfer pricing, it was small mining companies rather than the mining houses which were to blame.

Mr Jourdan believed the ANC's plan to return mineral rights to the people was in line with general sympathy inside the industry that public ownership was preferable to private.

Given the complexity of mineral rights in South Africa, the transfer to the state would be slow, perhaps involving the introduction of a tax on mineral rights with the option of ceding rights to the state in exchange renewable long-term mining leases.

"Reversion should be achieved without impairing the profitability and expansion of all mining companies operating in South Africa," Mr Jourdan said.

The internal difficulties came as Mr Yael Singer, legal

New Algerian leader faces huge problems

By Francis Ghiles

Gen Lamine Zeroual, sworn in yesterday as Algeria's sixth head of state, faces huge challenges on the economic and political fronts during his first weeks in office.

Gen Zeroual, who retains his defence portfolio, will have to decide whether to attempt dialogue with the banned Islamic Salvation Front (FIS).

Secret talks between senior officers and representatives of FIS have come to nothing, and Mr Ali Benhadj, one of the more fiery FIS leaders, has written from prison that nothing is possible until "those who suspended the elections two years ago and split the blood of Moslem children are brought to trial".

Some in the military are convinced that a genuine attempt to talk provides the only hope of separating moderates from the more revolutionary fundamentalists, such as the Armed Islamic Group who have claimed responsibility for the killing of foreigners and foreign wives of Algerians.

Some officers fear that without dia-

logue there could be a risk of widespread regional and factional violence. Others are wary of dialogue, as they believe fundamentalist supporters would make them pay a heavy price for the repression they suffered for the past two years.

A policy of dialogue is supported by the most respected lay opposition leader, Mr Hocine Aït Ahmed, who leads the Front des Forces Socialistes.

He says the army holds "the keys" to the future but must talk to all political parties, not only the FIS. He suggests it should share power with civilian parties, a position the military has not agreed to since independence 33 years ago.

A further argument in favour of dialogue is that negotiations are well advanced with the International Monetary Fund on a package of economic reforms.

So are talks to lighten the burden of foreign debt payments which in 1994 will absorb all Algeria's foreign income.

Mr Redha Malek, who was confirmed as prime minister yesterday, has made

public his wish for agreement with the IMF ever since he took office last August.

Senior European and US observers do not believe it will be possible to sell further austerity to a population which has suffered five years of declining living standards and civil strife, if minimum political consensus is not achieved.

Gen Zeroual's father was an imam (preacher), and Mr Malek's a cadi (Moslem judge). Their background and credentials may help their efforts towards building a consensus.

Much of the initial support for the FIS came from young Algerians despairing at the corruption and inefficiency of a command economy which, for a quarter of a century was run by one party, the National Liberation Front, with army backing.

This despair was shared by millions who were opposed to the methods and aims of the "Party of God" but who in the past two years have refused to support the government because of its failure to enact economic reforms.

Some of Algeria's western partners, such as Spain and the US, for two years now have consistently argued that dialogue, however hard, and economic reforms provide the only hope of averting civil unrest.

The French government, most notably Mr Charles Pasqua, minister of the interior, has been blunt in support for the regime. But the comment of Mr Alain Juppé, French foreign minister, this month, indicating that the status quo was untenable, suggests France may be shifting its ground.

Those who remain opposed to talking with the FIS argue that a "moderate" fundamentalist is a contradiction in words. Yet the more radical Islamic groups are known to despise the FIS, which when allowed to operate legally was never monolithic in its views and behaviour.

Even Algerians opposed to the FIS know there must be a difference between religious fanatics trained in Afghanistan and the average young Algerian despairing at the prospect of no job and no housing.

Oriental's hopes ride on the Eastern Express

An English-language daily hits Hong Kong's streets today, Simon Holberton writes

A long with the morning's delivery of newspapers and magazines Hong Kong's band of newspaper hawkers have been receiving an unexpected visit.

Mr Ma Ching Kwan, chairman of the Oriental Press Group, publisher of the Chinese-language Oriental Daily News - Hong Kong's biggest selling daily newspaper - and Mr Herman Hui, an executive director, have been rising early over the past few weeks to meet the people who sell their paper on the streets.

Both are there to tell the hawkers about Oriental's latest publishing venture, a daily English-language newspaper called the Eastern Express, and to ask them to give it prominent display on their stands.

Eastern Express begins publication today after an 11-day delay due to technical difficulties with its computer system. It is the first English-language daily to be launched in Hong Kong since 1949, when the Hong Kong Standard was started by the Sing Tao newspaper group.

Mr Ma's early-morning chats are more than just a beguiling

example of oriental politesse. English-language publishing in Hong Kong can be extremely profitable if you get it right.

The South China Morning Post, controlled until recently by Mr Rupert Murdoch's News Corporation and now by Malaysian financier Mr Robert Kuok, has the highest operating margins of any listed newspaper in the world. In the six months to the end of December 1993, the Post's HK\$312m (£27m) income before tax was equal to 53 per cent of its turnover; its after-tax margin was 44 per cent.

It is this margin and the change in the Post's management (Mr Kuok is seen as a "pro-British" proprietor who will turn his newspaper into the "People's Post") which finally prompted Mr Ma to dust off a two-year-old proposal to bring out a competitor to the Post. "I don't think I can smash the Post overnight," says Mr Hui. "But I believe the first survive."

He appears equally confident in the face of questioning about press freedom after Hong Kong's transfer to China

Express. First is the company's unblemished record in Hong Kong of succeeding in every publishing venture that it has embarked on.

Distribution costs will also be minimal, although coverage of Hong Kong will be comprehensive, because the Eastern Express will be distributed along with the Oriental Daily

News. Mr Hui says that with a circulation of 60,000, the Eastern Express would break even within a year.

In its pre-launch phase the Eastern Express has billed itself as "the paper you can trust". Its editor, Mr Stephen Vines, former Hong Kong correspondent for the Observer and the Guardian, promises an independent perspective containing more analysis of daily events than readers have been used to in Hong Kong.

The thinking behind this newspaper is that we are entering a period of intense interest in news, with a demand for an independent source of information. Mr Vines says: "Non-aligned publications will become fewer and fewer as time goes by."

This is a dig at the Post, at present the dominant English-language newspaper in Hong Kong. It sells 110,000 copies a day. This compares with 40,000 for the Standard, a paper whose frequent redesigns and relaunches have made it seem unsure of itself. Both papers have responded to the coming competition with changes in layout and the addition of new features sections and, in the case of the Standard, another redesign.

Mr David Armstrong, the Post's editor, says the Eastern Express is founded on the false premise that the change in the Post's ownership means a change in its editorial policy away from Governor Chris Patten towards China.

"Well, the expected change in editorial policy hasn't happened, and it won't," says Mr Armstrong. He adds: "I'm confident that we can deal with anything they might throw at us. The Post is a well-established newspaper in Hong Kong with strong reader loyalty."

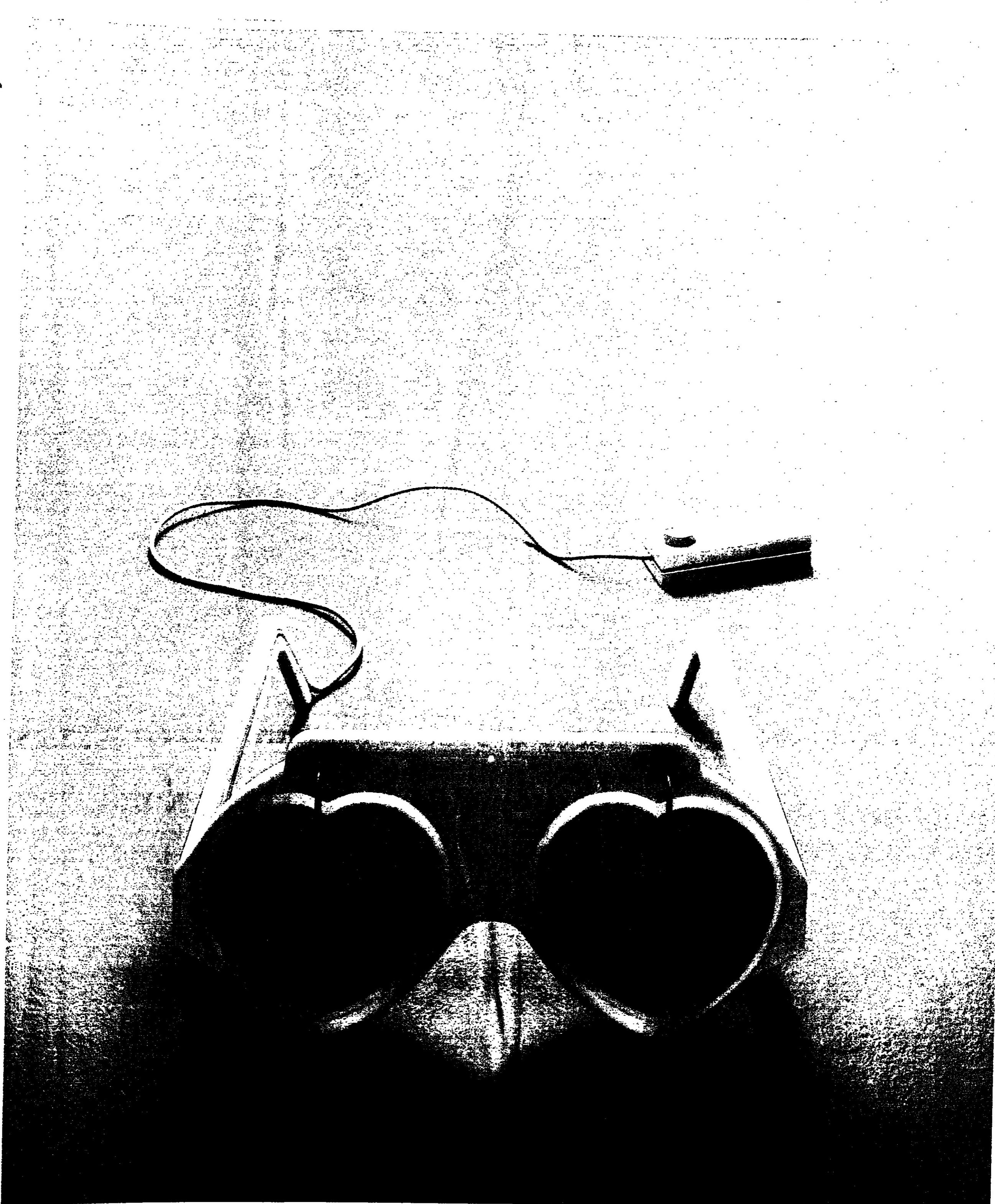
If, however, success could be ordained, the Eastern Express would have it immediately. Hong Kong's advertising industry, brimming at what it sees as monopolistic pricing behaviour by the Post, seems keen for the Eastern Express to knock the Post off its perch. According to Mr Garry Brown, managing director of Leo Burnett in Hong Kong: "It's not as if there are that many people who feel they owe the Post any favours."

EASTERN EXPRESS

Express is printed on existing presses, and the staff are located on a previously vacant floor of the company's headquarters in Kowloon Bay.

Distribution costs will also be minimal, although coverage of Hong Kong will be comprehensive, because the Eastern Express will be distributed along with the Oriental Daily

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NEWS: THE AMERICAS

Bolivia plans far-reaching privatisation

By John Bartram
in Buenos Aires

Bolivia yesterday set in motion one of South America's most ingenious privatisation programmes. The new government of President Gonzalo Sánchez de Loza sent to Congress a bill to authorise the transfer of six state companies to private investors and to Bolivia's 3.2m adults, in a scheme inspired by eastern Europe's mass privatisations.

Mr Ramiro Ortega, the official overseeing the programme, said it would "generate an investment shock for Bolivia, generate jobs and double-digit growth within two years".

Bolivia is South America's poorest country but has been in the vanguard of economic reform since it defeated hyperinflation in 1985, when Mr Sánchez de Loza, a millionaire businessman, was finance minister.

Mr Ortega said that, under the scheme, long-term investors selected through an international bidding process would take up to half the equity in each company without payment. They would, however, have to agree to invest heavily in them and sign a long-term performance agreement.

Ownership of the remaining shares will be divided among the population free of charge, but will be held in private pension funds. These funds are

Saudis' US arms payments eased

Saudi Arabia and the US have signed an agreement under which the cash-strapped Saudis will restructure \$6.2bn (£5.1bn) in arms payments to five US companies, defence officials said yesterday. Reuter reports from Washington.

The deal, signed on Saturday, could also clear the way for a reported plan by the Saudis to buy \$6bn in commercial airliners from Boeing and McDonnell Douglas.

Companies will be transferred free of debt and environmental and labour liabilities.

They employ about 3,000 people and management could sack staff, with severance charged paid by the government.

The draft law sent to Congress yesterday will be followed by further measures to create regulatory frameworks, abolish legal monopolies and specify each company's privatisation mechanism. The government is confident its majority in Congress will ensure the bills' rapid passage.

Mr Ortega says the scheme will draw \$3bn (£2bn) into Bolivia over three years, an annual capital inflow equivalent to about 20 per cent of GDP. He forecast this would treble the growth rate to 10-12 per cent a year and cut unemployment and underemployment by two-thirds, from 30 per cent now.

Low poll on Guatemala reform

By Edward Orieber

Fewer than one Guatemalan in five voted in a referendum on constitutional reforms on Sunday, failing to provide President Ramiro de León with the vote of confidence he was seeking to boost his lacklustre presidency.

About four-fifths of those who did vote supported the reforms sponsored by the president - to bring forward congressional elections, decentral-

ise government spending and combat corruption - but more than 80 per cent of voters stayed at home, according to early results.

Even so, Mr de León, who negotiated the reforms with congress in November after he had failed to purge corrupt congress members, is claiming a renewed mandate.

Congressional elections will now be brought forward to this year, and a new and expanded supreme court will be chosen.

"The referendum was post-

poning the necessary restructuring of the state," said Mr Byron Morales, a union leader.

After declining to pay more,

Gaspro and Winterhall

will set up a joint venture

- the WIEH trading house, with

Gaspro holding 30 per cent

stake. WIEH gave WIEH

both the right to market Oren-

burg's gas - if necessary

through Winterhall's new

gas pipelines - and influence over gas prices.

After endless arguments and

short contract deliveries by

the Treuhand, British Gas and Elf

Aquitaine, which combined

hold 25 per cent of VNG, in

favour of Ruhrgas and other west German gas distributors.

It is also seen as a victory for

Winterhall, which poised to

play a more important part in

the German gas industry,

despite strong resistance from

Ruhrgas, which holds 70 per

cent of the western German

gas market, and other German

gas distributors.

Under the terms of the 20-year contract, VNG will buy gas from Winterhall Erdgas Handelshaus, or WIEH, Winterhall's trading house. Annual deliveries will rise from 3.5bn cubic metres to 7bn cubic metres after 1999. In the pro-

cess, VNG has secured a sup-

plier and Winterhall has

secured a buyer for its gas.

Until 1990, natural gas accounted for less than 9.5 per cent of eastern Germany's primary energy consumption. It was delivered through two Russian gas pipe lines - Yamburg, which delivered 2.1bn cubic metres a year, and Orenburg, which delivered 2.9bn cubic metres to the region. The contracts had been made between the former east German and Soviet governments, with VNG acting only as a distributor.

Everything changed after unification. The Yamburg contract - which is due to expire in 1998 - and the Orenburg contract were taken over by the German federal government, which assigned them to VNG. VNG had been privatised by the Treuhand privatisation agency. But the car-up of Winterhall, British Gas and Elf Aquitaine, which combined hold 25 per cent of VNG, in favour of Ruhrgas and other west German gas distributors.

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Earlier, a senior Washington official said the US might have to resort to sanctions if the framework negotiations over Japan's trade sur-

plus and access to the Japanese market failed.

The US is targeting Japanese barriers to sales of vehicles and automotive parts, insurance, and government procurement of medical and telecommunications equipment. The negotiations are deadlocked over US demands for objective criteria to be set against which progress can be measured.

In an open letter to the US and Japanese governments, the group said that, in a free market, the consumer should decide market shares. It was more important to create such a market than distort it by numerical targets.

Japanese lobby group attacks numerical targets

By Paul Abrahams in Tokyo

Leading Japanese academics and economists have called for their government to stand firm against US demands for numerical targets as part of the countries' bilateral trade talks. The 70 academics, in the Scholars for Free Trade lobby group, said the government should not compromise even if threatened by sanctions.

Earlier, a senior Washington official said the US might have to resort to sanctions if the framework negotiations over Japan's trade sur-

US company wins order to process Chinese waste

By Our Beijing Staff

Dresser Industries, the Dallas engineering company, has won a pioneering agreement to treat wastewater in China, an area with huge market potential.

DI will collaborate with Beijing Wastewater Treatment Engineering Corporation (BWTEC) to build wastewater treatment plants and provide technical know-how.

Dresser Industries has played a significant role in China for many years and is committed to doing business in China," said Mr Robert Brimberry, president of Dresser's Trading Division, at a signing ceremony last week.

China produces 100m tons of waste water a day. Only 5m tons, or 2 per cent, is treated, because of a lack of treatment facilities.

Beijing now treats 20 per cent of the city's daily 2.4m tons of sewage.

Officials plan to raise that figure to 80 per cent by the year 2000.

DI won its first Chinese order in 1974. It now has an office in Beijing and one in South China's Shenzhen Special Economic Zone.

Scandal mars Costa Rica campaign

Messy court case robs the presidential favourite of his lead, writes David Scanlan

A series of scandals has robbed Costa Rica's leading presidential candidate of his commanding lead in the opinion polls, as one of the dirtiest election campaigns in the Central American country's history draw to a close.

Mr José María Figueres of the opposition National Liberation Party is now even with or slightly behind his opponent, Mr Miguel Ángel Rodríguez of the ruling Social Christian Unity Party, in the election on Sunday, according to most polls.

The constitution prohibits President Rafael Ángel Calderón from running for re-election.

Mr Figueres, son of a popular former president, Mr José "Pepe" Figueres, was in front by at least seven percentage points in the autumn but his fortunes have tumbled through scandals and accusations, including allegations that he was involved in the murder of a drug dealer 20 years ago.

Given the popularity of his father, this was to be an election for Mr Figueres to win easily. But an unpleasant court battle got his campaign off to a poor start in October.

Mr Figueres sued for libel and slander two authors, the brothers David and José Romero, whose best-selling 1991 book, *The Chemine Case*, linked him with the unsolved murder of a suspected drug dealer.

In dramatic testimony, Mr Figueres denied the killing but a Costa Rican judge, in a ruling on November 30, upheld a previous judgement absolving the authors.

Mr Figueres, whose father was president at the time of



TRouble in his wake: President Rafael Ángel Calderón must stand aside this time

Picture AP

back. This is won and won cleanly," said Mr Figueres.

Mr Rodríguez has capitalised on the upset and has attacked his rival over complaints that a leading television journalist was fired after pressure from the Figueres campaign team.

Mr Rodríguez's campaign advertising called Mr Figueres a "threat to the freedom of the press".

The latter was also implicated, last month, in a mining investment scandal of the early 1980s. The public prosecutor's office ruled last week that Mr Figueres was involved in the scandal but could not be

little to indicate where the candidates would take the country over the next four years. The two leading parties claim to be radically different, but they tend to contest the middle ground.

Both candidates say they would continue a 10-year programme of reduced government spending and privatisation, and would continue to integrate the economy with its Central American neighbours.

Five nations of the region signed a landmark pact this year to create a free-trade bloc, but Costa Rica reserved the right to collect its own customs

Rican politics suggests that Mr Figueres will win because it is his party's turn. The two parties have exchanged power at every election but one since 1948.

Costa Rica still has the richest and most stable economy in the region and elections tend to be free of fraud and violence.

Even so, the nation is facing new economic and social tensions. Foreign debt of more than \$4bn represents 62 per cent of annual gross domestic product of \$6.5bn.

Recent administrations have reduced the debt through a

lot

to

test the resolve of remaining troops.

US officials have acknowledged they are not hoping for much more than a sort of rough and ready coexistence between the rival Somalian clan leaders after the US troop withdrawal.

Mr Clinton is expected to ask Congress in next week's budget for another \$400m (£267m) to wrap up the US involvement in Somalia, bringing the overall cost since US troops first landed in December 1992 to more than \$1bn.

At least five Somalis die as US troops open fire

By George Graham in Washington

The chequered history of the failed US effort to restore stability to Somalia took another violent turn yesterday when US marines opened fire near a food distribution centre in Mogadishu, killing and wounding several Somalis.

A US official said the marines, who were escorting US diplomats to a meeting with representatives of General Mohammed Farah Aideed, a Somalian clan

leader, were first fired on by at least two Somali gunmen. This account was not corroborated by a nearby detachment of Bangladeshi troops, and was contradicted by Somali witnesses who said US troops fired directly at the crowd. At least five Somalis were reported to have died in the incident.

President Bill Clinton has set a March 31 deadline for the withdrawal of US troops. That withdrawal was ordered in response to criticism in the US Con-

gress after 18 US soldiers were killed last October during a raid intended to capture allies of Gen Aideed.

The United Nations has sketched out plans for a reduced international force of around 15,000 after the US withdrawal, with most of the troops deployed in the more settled areas outside Mogadishu.

However, UN officers predict the peacekeepers will increasingly come under attack from gunmen seeking to

test the resolve of remaining troops.

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fruit is also of a uniformly high quality. "Logic dictates that the central Americans which grow the best bananas at the cheapest price should be able to provide the best deal for the EU consumer, but since when has logic ever dictated EU agriculture policy?" said Mr John Wakeley, food and drink analyst at Lehman Brothers.

Latin American producers have been supplying up to a lesser extent in the Netherlands, Denmark and Belgium.

Banana distributors such as Geest, which has warned it would make a loss for last year, bemoan the political squabbles which have cast a shadow over the market. "I think it's almost unprecedented in any sphere where government and industry bump against each other," said

At a meeting in Guatemala on Friday, the group of five Latin American producers along with Ecuador and Mexico failed to reach agreement on ending the stalemate. Those countries - in particular Guatemala, which objected strongly to the previous plan - would then compete with each other for import access within the overall ceiling.

At the same time, a rift has developed between the group of Latin American producers over their response to proposals put by the Commission last year.

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Earlier this month the Latin Americans rejected proposals put by the Commission to allow them a ceiling of 2.1m tonnes of banana imports to the EU this year, breaking down into individual country quotas. These would also be subject to tariff payments.

The Commission had put great pressure on the producers to accept its plan - a ceiling of 2m tonnes was imposed last July. But producers have complained to Gatt about the EU banana regime and a condition of accepting the improved ceiling was that they drop a complaint.

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The African, Caribbean and Pacific countries covered by the Lomé convention claim their economies would be devastated if they had to compete freely for EU banana business.

"Success is never final"

Winston Churchill

"Carpe Diem"

Horace

**"Things may come to those who wait,
but only the things left by those who hustle."**

Abraham Lincoln

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NEWS: UK

Sinn Féin squares up to press Ulster case

By Michael Cassell in Belfast

Mr Gerry Adams, Sinn Féin president, will today turn his back on the furious row which has erupted over his visit to the US and launch a concerted, 48-hour campaign to press home the republican case for a political solution in Northern Ireland.

The US decision to grant Mr Adams a visa was met with outrage by unionists in the province, who warned that the Sinn Féin leader would fully exploit the visit for propaganda purposes.

Some Ulster politicians now expect Mr Adams to use his visit to hold out the prospect of a temporary ceasefire by the IRA in order to extract maximum publicity from his short trip and to cast Sinn Féin as the peacemakers. British government sources in Northern Ireland, however, made clear that any such gesture would be regarded as meaningless and that only a full renunciation of violence and a permanent ceasefire would help the peace process move forward.

But the decision was given a cautious welcome by Mr Albert Reynolds,

the Irish prime minister, who said the visit was acceptable if it helped bring closer the prospect of peace. Mr John Hume, leader of the Social Democratic and Labour party and representatives of the Alliance Party are also expected to attend today's conference called by the National Committee on American Foreign Policy.

Unionists were quick to accuse President Clinton of a policy U-turn and said the decision meant the US had relinquished any right to act as an intermediary in any efforts to bring peace to the province.

The Rev Ian Paisley, leader of the hard-line Democratic Unionist party, accused the US administration of "kow-towing" to the Boston Irish lobby and warned that Mr Adams might declare a short ceasefire which would then be stalled as a tremendous breakthrough. Mr Paisley will meet Mr Ray Seitz, the US ambassador in London, later this week to discuss the US administration's decision.

Mr Jim Molynex, the Ulster Unionist party leader accused the Clinton administration of "presidential wobbling".

But Mr Adams claimed the US decision would advance the peace process in Northern Ireland. Before leaving for New York he said he thought the US could play an influential role in resolving the Ulster conflict. "They can encourage the British, without taking sides, and move the situation on," he said.

Asked whether he now renounced violence, one of the stipulations originally laid down for a visa, Mr Adams replied: "My attitude is quite simple and straightforward - I want an end to violence."

Lord Lawson in running to head OECD

By Peter Norman, Economics Editor

The British government is backing Lord Lawson, the former chancellor, to be the next secretary-general of the Paris-based Organisation for Economic Co-operation and Development.

The job of running the "club" of 24 industrialised nations falls vacant at the end of September when Mr Jean-Claude Paye, the present secretary-general, completes his second five-year term of office. Mr Paye, 59, and a former French diplomat, has let it be known that he would like to continue in the job. Canada is backing the candidacy of Mr Donald Johnston, a Canadian Liberal politician.

British government officials said yesterday that Lord Lawson, 61, was ideally qualified for the post, pointing out that he was a strong supporter of international economic co-operation when chancellor between 1983 and 1989.

Lord Lawson angrily resigned over from Mrs Margaret Thatcher's cabinet over her refusal to discard hard-line monetarist Sir Alan Walters as her economic adviser.

The OECD secretary-general has a tax-free salary of £79,000 a month (about £125,000 a year), a Paris flat and a chauffeur-driven car, and can qualify for additional allowances.

Clinton takes a chance on Adams

George Graham on how the visa row plays in Washington

US officials believe Mr Gerry Adams's visit to the US could strengthen his position within the Irish republican movement and help those willing to move towards peace talks to control the more extreme members of their organisations.

A group of around 40 members of Congress has been pressing President Bill Clinton to grant Mr Adams a visa to attend a conference in New York today on the prospects for peace in Northern Ireland, arguing that this could contribute to the peace process by enhancing his influence over the rank and file membership of the IRA.

"The visa won't ensure that, but it's a calculated gamble to raise his prestige against some of his party's extremists," a congressional official said.

"What is the worst that can happen? If it doesn't work and they go back to terrorism he doesn't get in again," he added.

Mr Adams had previously been denied entry to the US eight times because of Sinn Féin's ties to the IRA.

White House officials said the visa authorisation was intended to "reach out to him and his organisation to encourage them to work within the peace process."

Although Congress's most prominent member of Irish extraction, House of Representatives Speaker Thomas Foley, remained opposed last week to granting Mr Adams a visa,



Gerry Adams on board yesterday's flight from Dublin to New York. His visa prohibits him from travelling more than 25 miles from the city or engaging in fund-raising activities. Picture: Clapton Rodwell

most of the Friends of Ireland, a congressional caucus whose leaders include Congressmen Frank McCloskey of Indiana and Senator Edward Kennedy of Massachusetts, have urged Mr Clinton to agree to Mr Adams's visa request.

In 1992, during a hard-fought primary election in New York state, Mr Clinton told a gathering of Irish-Americans he thought it would be "totally harmless to our national security and would widen the political debate in this country" to grant a visa to Mr Adams.

Two days later, Mr Adams lost his seat in the British parliament, offering Mr Clinton an excuse for not fulfilling that promise when Mr Adams applied for a visa last summer.

While US officials are sceptical about the likelihood of any short-term breakthrough towards peace, they also see real hope in last month's joint

declaration by the British and Irish prime ministers.

"It is by no means gilded excitement but for the first time in a long time people aren't just saying: 'This is all balderdash,'" a US official said.

• Gerry Adams was due to appear on Larry King Live on Cable News Network last night. CNN said the interview would not be shown in Europe as not to breach the UK's broadcasting ban.

Overseas boost for property sector

By Vanessa Houlder, Property Correspondent

Overseas investors increased their spending on UK commercial property by 70 per cent to £2.2bn last year, providing a further stimulus to the fast-recovering British property market.

German, Middle Eastern and Far Eastern investors led the surge of investment in UK property, according to a report published yesterday by chartered surveyors DTZ Debenham Thorpe.

The resurgence of overseas interest in UK property, after two years of decline, was mainly inspired by the devaluation of sterling, the falling costs of borrowing and the high investment yields available on property.

German investors, who spent a total of £700m, were the most prominent source of overseas finance.

Middle Eastern investors spent £350m, much of which came from wealthy private individuals.

Far Eastern investors spent £440m, 60 per cent of which was accounted for by Hong Kong and China.

Just over half the money invested by overseas buyers went into central London, leaving £400m for Greater London and £75m for the regions, particularly the south-east, West Midlands and Scotland.

About £400m of property was sold by overseas investors, particularly by Japanese and Swedish property owners.

DTZ Debenham Thorpe said it expected overseas buyers to play a less important role in the UK property market this year, although their total spending was likely to remain at about £2bn per annum for the foreseeable future.

This is because the lower investment yields available from property is giving an increasing role to equity investors, chiefly the UK institutions, rather than to overseas investors, which used a large proportion of debt to finance purchases.

Money supply figures fuel hopes of interest rate cut

By Philip Coggan, Economics Correspondent

Hopes of a fall in UK interest rates were fuelled yesterday by news that the seasonally adjusted annual increase in M0, the narrowest measure of the money supply, fell to 5.3 per cent in January, from 5.8 per cent in December.

M0 is one of a number of indicators of inflationary pressure followed by the government.

Traders hoped that the signs of a slowdown in M0 growth might persuade the chancellor of the Exchequer and the governor of the Bank of England to cut rates after their monthly monetary meeting tomorrow.

However, the main reason for the drop in M0 growth was a decline in banks' operational balances at the Bank of England.

Growth in notes and coins, the main component of M0, rose by 5.7 per cent in the year to January, the same annual increase as in December. The drop to below 50 per cent signalled an overall decline in manufacturing output.

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Coins in circulation have been growing at 9 per cent over the past three months.

Even after the January fall, the M0 rate remains above the government's monitoring range of 0-4 per cent. But the monetary authorities have not been too concerned about this, arguing that low interest rates, which have reduced the effective cost of holding cash, are helping to cause high M0 growth.

The Bank of England also released figures yesterday, showing that December growth in M4, the broadest measure of money supply, was slightly lower than indicated.

Seasonally adjusted M4 rose 0.6 per cent, compared with an earlier estimate of 0.7 per cent.

The increase in the 12 months to December was 5.4 per cent, compared with earlier indications of 5.5 per cent.

put. But the institute said this mainly reflected seasonal factors.

The index, which has been running for almost two years, is not yet seasonally adjusted.

The employment index also dropped - from 50.2 per cent in December to 47.5 per cent in January - but the institute said that much of the contraction could be attributed to the release of temporary staff.

The outlook for manufacturers is encouraging. A significant number of purchasing managers interviewed reported strong growth in new orders in January, particularly in January.

The survey's index result is based on responses from purchasing managers at manufacturers, and is designed to give an early indication of changes in economic activity. The index dropped from 51.6 per cent in December to 48.1 per cent in January, its lowest level since January 1993.

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Travel industry wins deferral of air passenger tax

By Ivor Owen and Michael Skapinker

Implementation of the new tax on aircraft passengers is to be deferred by a month until November 1, after pressure from the travel industry.

Sir John Cope, the paymaster general, told the Commons last night that summer holiday brochures offering holidays until the end of October had already been printed - many with no-surchARGE guarantees.

When Mr Kenneth Clarke, the chancellor, announced the new tax in the Budget on November 30.

As MPs began debating the committee stage of the finance bill, which implements the Budget, Sir John agreed that it was unreasonable to expect tour operators to take into account "the theoretical possibility of a new tax" when offering such brochure guarantees.

The new tax - 55p for passengers on flights to Britain and European Union destinations and £10 elsewhere - was attacked by Labour and Liberal Democrat MPs.

The tax was estimated to yield about £115m in 1994-95 had it been introduced on October 1. This has been revised to £90m.

Travel companies welcomed the postponement, though some said they would continue to argue for the tax's abolition.

The Association of British Travel Agents said imposing the tax from the beginning of October could have driven some smaller, specialist tour operators out of business.

Companies would have had to absorb the cost of the tax themselves. Abta said smaller companies could have found this ruinous.

The Federation of Tour Operators, whose members account for 90 per cent of overseas package holidays sold in the UK, welcomed the postponement but added: "We remain opposed to the principle of a travel and tourism tax. We hope that this tax will be short-lived."

Pensions warning was ignored

The government ignored warnings by pensions specialists nearly 10 years ago about the dangers of allowing personal pensions to be sold by a self-regulated life insurance industry, it has emerged.

Documents from the National Association of Pension Funds, the occupational pensions industry group, show that senior figures in the industry told the government in 1984 and 1985 that strict controls had to be placed on sales agents to prevent abuse.

Personal pensions legislation was then under consideration by the Department of Health and Social Security headed by Sir Norman Fowler.

Government incentives to encourage personal pensions took effect in July 1988.

The documents have come to light.

Floods caused £1bn damage

Flooding across southern England in January caused damage estimated at £1bn, the Meteorological Office said yesterday.

Reviewing the month's weather, the Met Office said 130 flood alerts were issued by the National Rivers Authority and hundreds of households in the south and south-west were flooded.

By January 10, south Wales and southern England had received the amount of rain normally expected for the whole month.

Survey predicts 17% increase in UK consumer spending

By Diane Summers, Marketing Correspondent

alterations expenditure is set to rise by 30 per cent.

Spending on medical and education fees is likely to increase by 31 per cent, while insurance and pensions spending is forecast to grow by 28 per cent. Mr Peter Ayrton, Mintel's head of research, said there was increasing public concern about the need to prepare for old age and ill health "in the face of dwindling government resources".

The popularity of home entertainment will be maintained over the period, with sales of brown goods, such as TVs and hi-fi equipment, set to increase by 35 per cent, says the report.

Healthier lifestyles will encourage spending on fruit and vegetables, while soft drinks will continue to be the fastest-growing part of the drinks sector, says Mintel.

An upturn in the housing market is forecast to stimulate spending on garden products (up 36 per cent over the next five years), and hardware (36 per cent). Home purchase and

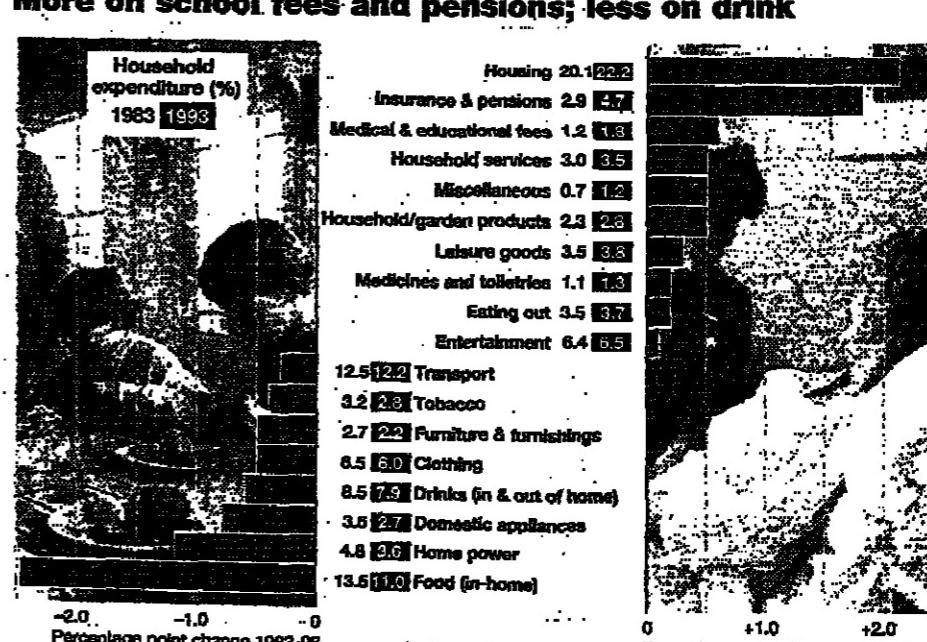
iture repair, medical insurance, and house contents and building insurance. Expenditure in all these areas grew by more than 10 per cent in 1993, says the report.

Overall, housing accounted for the largest part of consumer spending last year, as it has in previous years. A total of £84.4bn - 22.2 per cent of household expenditure - went on housing. Next came transport (£48.8bn, 12.2 per cent of expenditure), then food eaten at home (£43.8bn, 11 per cent).

A 10-year analysis of spending patterns by Mintel shows some changes in the shape of household budgets. Spending on food eaten at home, heating, lighting and power, domestic appliances, and drink now all account for a smaller share of household budgets than in 1983. In 1983, 13.5 per cent of the budget went on food eaten at home; by 1993 this had dropped to 11 per cent.

The highest growth areas in consumer spending over the past year have been: education fees; shoes, clothing and furni-

More on school fees and pensions; less on drink



TECHNOLOGY

On the neural network

British companies are waking up to the possibilities of neural computing, which enables patterns to be recognised and masses of confusing data to be analysed, according to a study prepared for the Department of Trade and Industry.

Neural computers, with programs allowing them to "learn" from examples and comparisons, differ from conventional ones in their ability to analyse and predict rather than carry out complex calculations. Originating in US university research into the brain, they are increasingly used in industry and finance.

The DTI study, carried out by Hi-Tech Marketing, found companies had responded encouragingly to its efforts to promote the benefits of neural computing. Many of the 150 companies polled planned to adopt neural techniques, 55 per cent within a year and a further 20 per cent in two years.

In March last year, the DTI launched a £5m programme to support seven user clubs and an awareness programme run by Touche Ross, the accountancy group. Projects now under way at the clubs include an intelligent imaging system for automatic track inspection for London Underground, a thermal model of a nuclear waste melter at British Nuclear Fuels, a data extraction system with the Sun Alliance insurance company and a vehicle sensor unit for monitoring traffic congestion.

Ray Browne, manager of the DTI's neural computing awareness programme, says many applications can be carried out on personal computers. Neural computers - also known as neural networks, non-linear programming, adaptive solutions or adaptive programming - are not meant to replace existing systems but to enhance them, he adds. "It's a mistake to say this is a panacea, but it certainly does open up lots of new avenues."

Andrew Fisher

Worldwide investment in digital communications and information systems is about to soar, but many companies have been slow to appreciate just how much this could change their operations. As well as affecting the electronics and telecommunications sectors, the shift in industrial emphasis will also influence the shape of all but the simplest products.

In Britain, the design implications are well appreciated at London's Royal College of Art which trains students in computer-related design.

The focus is on "interaction design". Products are becoming less bulky and more interactive. Design is less about objects themselves and more about use. "In an increasingly software-driven economy, design becomes more important rather than less," says Derrick de Kerckhove, director of the McLuhan Programme in Culture and Technology at the University of Toronto. "It practically becomes the content of the product."

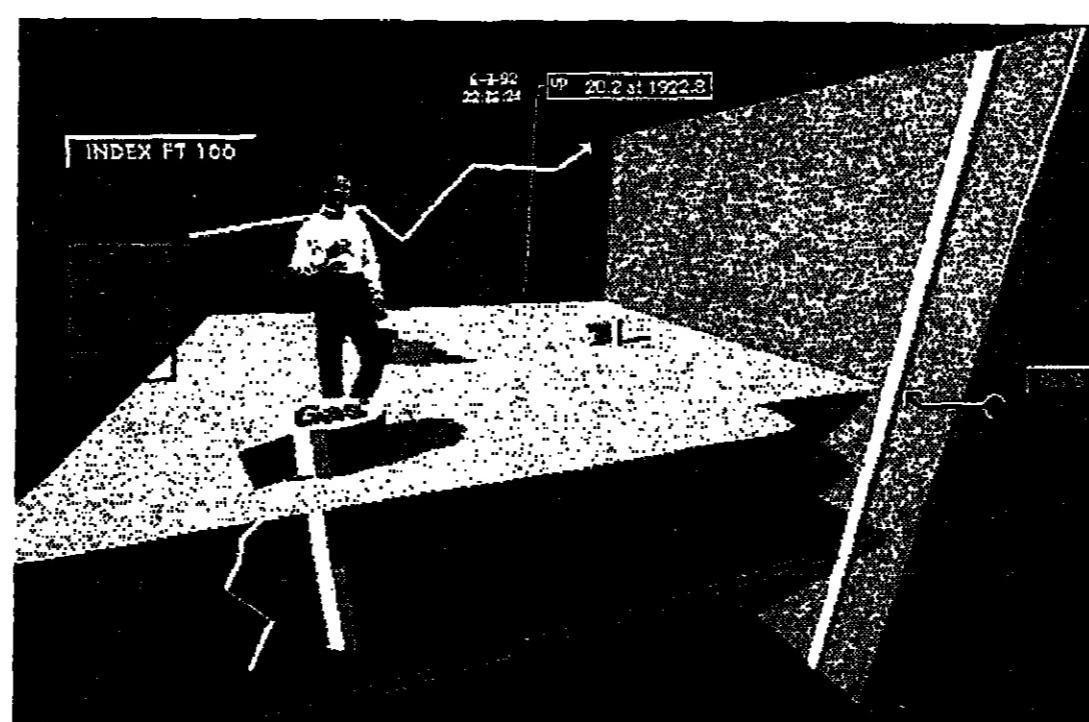
But interaction design has yet to make its name. Even manufacturers respected both for the styling of their products and for making them user-friendly are not yet making full use of designers in shaping their non-material aspect. "Even at Apple Computer, there are few designers involved in interaction design. It is mostly computer engineers and a sprinkling of psychologists," says Gillian Crampton-Smith, professor of computer-related design at the RCA.

Computer specialists solve problems in ways that reflect their understanding of the workings of a machine rather than its eventual users. The result is often an electronically efficient device that is difficult or unpleasant to use.

"In the past, display graphics have been done by software engineers, for example," says Stephen Hall, chief executive of INform, the UK design consultancy. "Their problem is that they tend to live in a very closed world of computer technology that they understand very well." Designers' relative ignorance of the technical side can be a benefit.

The roll call of disciplines that could make future electronic products less alien will surprise many business people. According to Max Whithby of the Multimedia Corporation, an associate company of the BBC that publishes multimedia products, "it's a synthesis of three disciplines: print design; television design for planning the delivery of information over time; and industrial design for the controls, etc".

These new design procedures offer some distinct business advantages. Where there is a temporal dimension, for example, it is possi-



Extra dimensions: this Royal College of Art students' ATM screen gives information on personal investments. The FT-SE 100 is on the "back wall"; the rising "floor" represents passing time; columns represent investments - the size of the initial investment is shown by the area of the column, its growth by height.

A better use for design

Why are computers often so complicated to use?
Hugh Aldersey-Williams looks at solutions

ble to show that one design proposal is more effective than another simply by measuring the time a user takes to navigate a database to perform a desired task.

It also becomes practical to test several trial designs. The IDEO design company of the US used this strategy in the design of an infusion pump - for McLaw, the American medical manufacturer, which delivers drugs intravenously under automatic control. By mocking up instrument controls on a touch-sensitive computer display and testing them with nurses, the designers found that doses should be programmed using a volume control, rather than a numerical keypad. This eliminates the risk of large errors in dosage through pressing the wrong number or by misplacing a decimal point.

This technique was not available, for example, in the early days of bank automated teller machines. People were leaving their plastic cards behind because the machines gave out the money before returning the card.

That problem arose, says Hall, who designed the latest generation of ATMs for American Express, because the machines were made by a small clique of specialist manufacturers who did not consult enough people at the design stage. ATMs now return the card first.

Many interactive products still do little to make users feel at ease - and not because the technology is fundamentally complex or hostile. Frequently, there has been no attempt to design a "fluid, immersive experience", says Whithby. "Too often the designer is brought in at the end just to fix the icons."

Because the requisite teams have mostly not been assembled within the commercial sector, the potential for interaction design is perhaps best seen at places such as the RCA where groups of students from different disciplines can be brought

together to collaborate on specific projects. On behalf of American Express, INform set up a research study to extend the ATM: what other services could it provide? And how could those services be made more user-friendly?

The RCA students' projects envisaged a multi-dimensional data space which could show present and past performance of sites for personal investors. The FT-SE 100, the London stock market index, is shown on one wall of the space for comparison. The growth of investments of different amounts is modelled by columns of different diameter which grow over time from the floor of the space.

The designer's concern is that the user approaches technology with preconceptions that must be shattered and fears that must be allayed. In the past, computer users have been willing to put up with bad design. Increasingly, however, people are becoming less indulgent

Geoff Wheelwright on an extra cost faced by purchasers of PC software

Slippery slope for user support

Personal computer software is increasingly cheaper to buy, but the real cost of using it is rising. Several leading PC software publishers have begun to charge for "premium" support services for their products, on top of the "free" support included in the purchase price of a software licence.

Lotus Development, for example, is now offering fee-based support for Lotus 1-2-3 and Ami Pro - after pioneering the approach on its enterprise-wide Lotus Notes communications system. Microsoft, too, now charges for extra support on its Microsoft Office products having established a precedent with charges on support for its Windows NT and MS-DOS operating systems.

The worry for users is that this is possibly the top of a very slippery slope and that they may find themselves having to pay for all software support.

Two recent trends are fuelling this fear: the drastic drop in PC software prices and the increasing complexity of the programs. Both are linked to the popularity of software "suite" bundles, in which several applications are bundled together at a lower price than the sum of the individual applications.

While software is getting cheaper, it is also more unwieldy. And that means that support, as well as user training, is likely to become a much more important part of a company's information technology costs. Deployment of that support is a problem which all users must tackle.

Perkins aware that annual support contracts like those in the mainframe and minicomputer sectors might make PC users rebel. PC software makers have been clever in the way they have introduced fee-based support for applications.

In the US, Lotus, for example, offers users a choice of support packages. They may dial into a "900" toll telephone number at the rate of \$2 (£1.30) per minute (the first minute is free) for 24-hour support on its flagship product, 1-2-3 spreadsheet.

Alternatively, Lotus users can

pay a \$129 annual support contract for applications or \$25 per year per user for Lotus Notes support. Lotus still offers basic free technical support for most of its products for the first 90 days after purchase - as well as a dial-in bulletin board and a "forum" area on the CompuServe online information service.

Microsoft offers a similar range of support services in the US - along with a more varied range of options for developers and corporations. But according to Tony Ettinger, Microsoft UK director of product support services, these are not designed to profit centres.

Ettinger says they are merely designed to cover most of the costs of providing services that users - particularly those in large corporations - are demanding.

"There is no way we are making a move to provide support at a profit," he says. "In the case of Windows NT, we decided on something we thought would be a fair and reasonable charge for support."

Microsoft has also been encouraging third parties to provide support for its new Windows NT operating system. Traditional minicomputer makers such as Digital Equipment, NCR and Hewlett-Packard have all started fee-based NT support services in the past six months, with the backing of Microsoft.

Microsoft's rationale for this move is that it does not want to have to create the kind of support infrastructure that a minicomputer-level operating system such as NT demands, although it does want one to exist. By involving third parties experienced in providing this kind of support, it hopes to get the best of both worlds: a solid base of support for users and strong backing for NT by minicomputer vendors, both at little cost to Microsoft.

But if price-slashing and bundling continues at current rates, software companies may have to change the policy of not seeing support as a profit centre. It may become the only place left to make money in the PC industry.

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MANAGEMENT: THE GROWING BUSINESS

Business school academics have found at least 200 ways of defining the German Mittelstand, the broad swathe of medium-sized, privately-owned companies which dominate corporate Germany.

Size – in terms of turnover and the number of employees – is the obvious yardstick but not the best way of defining a Mittelstand company, says Berthold Leibinger, the 63-year-old chief executive and majority shareholder in Trumpf, a machine-tools company based in Ditzingen near Stuttgart in south-west Germany.

Better, the machine-tools entrepreneur contends, is to think in terms of a philosophy of management, a network of distinct values shared by thousands of small, medium-sized and large German companies. At the core of this cluster of values are two qualities: a passionate desire for independence and a fascination with technology. Coupled together, these qualities lead to strong emotional ties between the entrepreneur and the products which his company makes, Leibinger argues.

These values have deep cultural roots, explains Leibinger, the son of an oriental art-dealer from the small village of Mühlheim bei Tübingen in the heart of the state of Baden-Württemberg.

Leibinger cites a law dating back to 1548 which saw to it that family fortunes in the south-west of Germany had to be divided equally between all children, including daughters. The very opposite of primogeniture – the system whereby family wealth was passed from father to eldest son – the system of "reteilung" prevented the accumulation of wealth. Families were obliged to set up small businesses in order to enhance meagre living standards. These were the forerunners of some of Germany's most successful industrial companies.

Baden-Württemberg is still known for its "tiftlers", amateur engineers who while away winter evenings working in their shops, attempting to solve apparently unsolvable technical problems.

"Go up to the Schwäbische Alb (a range of hills near Stuttgart) and you'll still find hundreds of these workshops," says Leibinger. The modern-day mechanics working away at weekends and evenings in cellars and garages are the successors of "tiftlers" such as Robert Bosch or Karl Benz, Baden-Württemberg entrepreneurs whose businesses evolved into some of Europe's biggest industrial groups.

Leibinger contends that the relationship between the technician and his invention is far closer

**David Waller on
a man who
exemplifies the
Mittelstand**

Profits rich in culture



Berthold Leibinger: emotional ties

than that of the financier investing money into a business in a dispassionate way in the hope of making a profit.

This distinction, he believes, helps explain the difference between the nature of Anglo-American capitalism and the German version. In the UK or the US, the bulk of industrial activity is conducted by stock-market quoted companies, financed by profit-oriented investors; by contrast in Germany the stock-market plays a limited role in the country's economic life.

Even those German companies which are stock-market listed (664 in total compared with about 3,000 in the UK) tend to be majority-owned by families, other companies and by financial institutions – with the result that the management priorities of quoted companies tend to be little different from those of private ones.

The insulation from the pressure to generate short-term profits is one factor behind Germany's post-war success, Leibinger argues. It is also a reason why he is reluctant to bring Trumpf to the stock-market, even though with turnover of DM620m last year he could easily consider such a move.

Leibinger, who points to his son-in-law (currently production director) as a potential successor, conforms exactly to his own definition of a "Mittelständler". A practising protestant and a self-confessed "tiftler", he comes from a family of surgical instrument makers which has lived in the same village for generations.

He has 20 patents outstanding for machine-tools and when still at university he invented the "copy nibbling" process which became a standard throughout the industry. The income from this and other inventions helped him raise the finance to buy out the Trumpf family in 1973.

Under Leibinger's direction, the company grew rapidly to become one of the world's largest manufacturers of machines for punching, nibbling, bending and forming sheet-metal. But the growth has come to a halt; so severe is the recession afflicting the sector that Trumpf made a loss last year for the first time in 40 years. The group lost DM48.4m on turnover down 9 per cent to DM520m in the year to July.

Other companies have fared far worse under the dismal combination of falling demand and high costs; their problems exacerbated by the strength of the D-Mark. Critics have looked at sectors of the economy such as the machine-tool industry and suggested that traditional Mittelstand virtues have now become a handicap.

They argue that the love of independence has blinded company managers to the need for strategic mergers and that the obsession with technology helped Mittelstand companies fall into the trap of making sophisticated products for their own sake, without taking account of customers' needs.

By implication Leibinger accepts one aspect of this criticism: part of his response to the recession has been to put a new emphasis on "value-for-money" manufacturing. "We are trying to introduce new machines with the same or improved technical features as the old ones but with a 20 to 25 per cent cost reduction," he says.

But he rejects the other element of the critique that Mittelstand companies need to merge with one another to survive. "If the German machine-tool industry consisted of six to eight big conglomerates, rather than hundreds of independent companies, the impact of the current recession on the labour market would be far worse than it has been," Leibinger says, true to his deeply-rooted Mittelständler values. "Independent family-owned businesses add stability to the business community, especially in difficult times."

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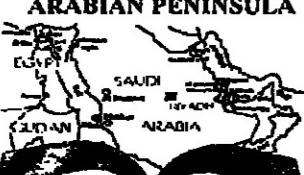
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In the first of a series on exporting, Richard Gourlay looks at a DTI initiative which uses the skills of private-sector industrialists

Sailing to new markets

An increasingly competitive domestic market in the UK: a currency that some say is undervalued and therefore gives an international edge trade barriers being dismantled in the nearest market – they all point one way, UK companies should be stepping up their exports to Europe. if not further afield.

Yet, according to the Institute of Export, only 40,000 companies in the UK regularly export in any year, as measured by submissions of zero-rated VAT returns, and only double this number export on an occasional basis.

Many companies, in fact, see exports as troublesome bolt-on activities. And those that have products addressing market niches abroad – and the ability to export – are often afraid to make the first step overseas, according to Ian Campbell, director-general of the institute.

The Financial Times this week launches a series of articles addressing the issues exporters must confront. Today we look at a specific Department of Trade and Industry initiative led by industrialists seconded from the private sector who bring together potential exporters and companies in markets they know.

Next week, we will look at how deals deal with exporters. Subsequent articles will include dealing with export credit insurance, getting paid, customs and VAT issues, appointing a distributor or agent, dealing with correspondent banks and hedging of foreign exchange risk, basic market research abroad, and the DTI's other export promotion schemes.

We would also welcome readers' experiences on fax 071 873 3933.

Grubb had no experience of exporting. He identified a possible demand for his fashionable children's underwear in the US and Germany, but where should he start? Grubb was greatly helped by a new Department of Trade and Industry scheme called the Export Promoter Initiative, brainchild of Michael Heseltine, trade and industry secretary.

Two years later – and only four months after Exchange Textiles shipped its first set of underwear – the company is heading for exports in its first year equal to a quarter of its total £1m turnover. And as long as he gets paid he says the profit margins achieved are significantly better than in the UK.

Heseltine used the Conservative Party conference in 1992 to announce that 100 businessmen and women would be seconded from British industry to help the export effort. So far he has only convinced 64 large companies to donate the time – and the salaries – of experienced exporters to the scheme.

But there are signs the initiative could provide the much-needed private-sector drive and market expertise that have been lacking from the DTI's export promotion services. "The initiative works because businesses are working together with other businesses, banging heads together in a way that civil servants cannot do," says Greg Shemken, an export promoter who headed merchant bank Kleinwort Benson's operation in Japan until last year.

Each export promoter adopts a different approach in the country he or she focuses on. Shemken's priority is to help companies which are already trying to export to Japan to establish a more effective presence. But, like other export promoters, he is also using his knowledge of the local market to sniff out potential market opportunities for which he then seeks suppliers in the UK.

His fellow export promoter, Peter Bacon, who worked in Japan for five years with Phillips, the electronic group, has a different approach. Initially, he is trying to encourage import substitution by getting Japanese companies that have recently arrived in the UK to increase their local purchases.

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ASSETS Based on Balance sheet Dec. 31, 1992	
B. INSTALLATION COSTS	Dr. 60,312,981
C. FIXED ASSETS	55,613,972
I. Intangible assets	354,324,028
II. Tangible assets	655,360
D. CURRENT ASSETS	
I. Inventory	60,525,284
II. Receivables	95,577,411
III. Inventories	15,699,151
IV. Cash	12,231,789
E. INTERIM ACCOUNTS	1,128,958
TOTAL ASSETS	835,259,588
LIABILITIES AND EQUITY	
Share Capital	500,500,000
Investor Subsidies	237,197,645
Reserves	13,792,422
Retained earnings	(138,301,889)
Provisions	17,473,285
Short-term liabilities	4,659,822
Interim accounts	
TOTAL LIABILITIES AND EQUITY	835,259,588

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Creditanstalt Financial Advisers S.A.
LIM Centre - Marriott Hotel
10 floor, suite 1019
Al. Jerozolimskie 65/79
00-697 Warsaw, Poland

to: Eugene Kotlarchuk
Coen Potters
Dariusz Haschka
Urszula Opalko

Tel: (+48/2) 630 60 22, 630 60 55
Fax: (+48/2) 630 60 03

or

Creditanstalt Investment Bank A.G.
Dr. Karl-Lueger Ring 12
A-1011 Vienna
Austria

to: Stefan Kriegstein
Barton Sidles
Tel: (43/1) 531-84-0
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BUSINESS AND THE LAW

Sole authority to invalidate directive



Where a national law implements a European Community directive, EC law does not prevent a national court from examining whether that national law should be applied if it is found that the provisions of the directive are invalid. However, it is for the European Court of Justice to determine whether the directive is valid or not.

This finding was the outcome of a case concerning the sale in Germany of a product - Setaderm - used to combat hair loss. The product contained a substance - 11 alpha OHP - which was banned under German law.

The company marketing Setaderm took the product off the market, but brought proceedings in the national courts for a declaration that it could lawfully manufacture and market the product on the basis that 11 alpha OHP was not harmful to human health and that its use in cosmetic products should not be banned.

The national court commissioned an expert's report, which found that 11 alpha OHP was not harmful to human health. However, prior to the delivery of the report, the 12th Directive on Cosmetic Products was published.

Article 2 of the directive provided that the marketing of products containing 11 alpha OHP was to be prohibited from January 1, 1991, and that sale to the final consumer was to be prohibited from December 31, 1991. The directive was implemented in Germany by a law passed on March 21, 1990, more than six months before the expert's report was delivered.

The German court was convinced by the findings of its expert and thus took the view that the national legislation banning 11 alpha OHP was invalid, but recognised that this would have the effect of rendering ineffective the relevant provisions of the directive. It referred the issue to the European Court of Justice.

The ECJ was asked three questions. First, whether national court was prevented from regarding a national law as invalid or void if and insofar as that law consisted only of provisions implementing a directive. Second, if a national court could not carry out this exercise, whether a directive

had direct effect. Third, if the answer to either of the two previous questions was in the affirmative, whether the prohibition of 11 alpha OHP under the 12th Commission directive was valid.

The ECJ decided that answers to the first two questions would only be relevant to the national court if the relevant provisions of the directive were found to be valid. Thus it examined the third question first.

The manufacturer of Setaderm argued that, before any product was added to the list of prohibited substances in the directive, the Scientific Committee for Cosmetology had to be consulted. In the present case, this committee had not been consulted. There had thus been a breach of an essential procedural requirement, causing the prohibition of 11 alpha OHP to be invalid.

The Commission, Germany and the UK argued the provision was valid as the committee only had to be consulted if a member state or the Commission requested it to be consulted.

The ECJ found that the wording of the directive in the different language versions of the text made it unclear whether the committee had to be consulted in all cases. One interpretation was that it was for the Commission, Germany and the UK. The other interpretation was that it was for the Commission or member states to take the initiative to convene the committee, which had to be consulted in all cases.

The ECJ examined the aims of the committee and found that the purpose of consulting it was to ensure that measures adopted at Community level were necessary and adapted to the objective pursued by the directive, namely to protect human health. Consultation of the committee had, therefore, to be mandatory in all cases.

As it was not contested that the committee had not been consulted about the prohibition of 11 alpha OHP, the ECJ declared that the relevant provision of the directive prohibiting the substance was invalid; hence, it had no need to answer the first two questions from the German court.

C-212/91: Angelopharm GmbH v Freie & Hansestadt Hamburg, ECJ FC, January 25 1994.

BRICK COURT CHAMBERS,
BRUSSELS

The competition rules of the European Union are unsuited to the 1990s and in need of reform. This is the view of the Confederation of British Industry concerning the current regulations, which were adopted in the 1950s, and the main administrative procedures and policy directions, which were established in the 1960s.

The CBI has produced a discussion document, with a six-point plan for reform of the Treaty of Rome rules on anti-competitive agreements and abuse of market power. Launching it last week, Mr Howard Davies, CBI director-general, said that, if the benefits of the single market were to be realised, an effective and efficient competition policy was needed.

All too often, when companies sought to clear their business plans with the European Commission in Brussels, they met with delay and legal uncertainty, he said.

Progress had been made in the handling of mergers and joint ventures in recent years, which had proved popular with European industry. But in most other respects, the CBI believed, the Commission's approach to competition law had ossified.

The way the regulations operate is still unclear. There is confusion over the precise scope of the prohibition on anti-competitive agreements under article 85 of the Rome Treaty, and the extent to which an exemption may be available for a particular commercial agreement.

Industry finds it difficult to judge whether an agreement is covered by the European regime. In theory, the Commission's jurisdiction extends only where an agreement has a significant and foreseeable effect on intra-state trade within the EU. In practice, the test as to whether there is such an effect is so wide as to make it virtually impossible for companies to say with any precision that the rules do not apply to any particular agreement.

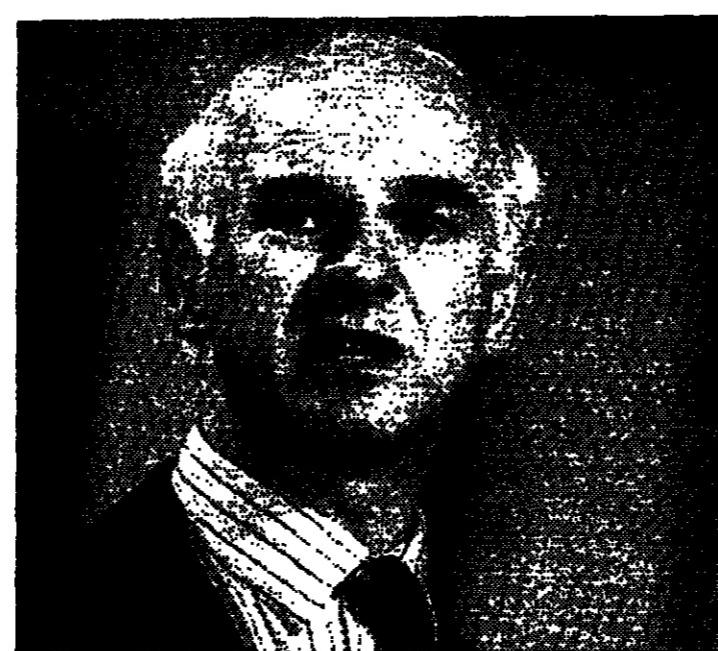
Uncertainty is increased by the Commission's continued assertion of jurisdiction in cases where the effect on intra-Union trade appears insignificant.

As a result of all this, companies end up notifying agreements unnecessarily to the Commission - including agreements that do not even have a significant effect on competition, says the CBI.

Concern about the time and money being wasted led the Commission in 1986 to adopt a policy of granting block negative clearance, where certain agreements are assumed not to need vetting. Such clearance applies to agreements involving goods and services with 5 per cent or less of the market, and where the aggregate worldwide turnover of the companies involved does not exceed Ecu200m (£157m) -

EU competition law has come under fire for wasting time. Robert Rice examines ways it could be improved

A burden on business



Howard Davies: an efficient and effective competition policy is needed

a *de minimis* test.

The intention was to reduce the burden on business of having to notify the Commission about minor agreements. In reality the initiative has been of little value to business. Because agreements can only benefit from block negative clearance where both the market test and turnover test are satisfied, companies with a worldwide turnover of more than Ecu200m still have to refer all agreements, no matter how small their share of the relevant product market.

The CBI also has concerns about the regime for gaining exemption for an agreement. The Commission has exclusive jurisdiction to grant individual exemptions, but does not have the resources to assess all anti-competitive agreements individually. To get round this, it has developed block exemptions for certain categories of agreements and developed short-cut, such as comfort letters.

But neither of these approaches has proved satisfactory. Comfort letters, where the Commission informs the parties without taking a formal decision that it does not intend to take further action, lack certainty. Although the Commission is unlikely to reopen the matter without good reason, the letters are not binding on it or on national courts.

Block exemptions are subject to arbitrary and irrational limitations. For example, the 1983 Exclusive Distribution Regulation is limited to exclusive distribution agreements between two parties, relating to goods, but not services, and to goods sold for resale with no significant value added.

The biggest problems for industry arise in the handling of commercial agreements, according to Mr Laurence Elks, a partner of London solicitors Nabarro Nathanson and chairman of the CBI group which produced the discussion document.

He said CBI members were "all very conscious of the vast amount of time and expense incurred dealing with absolutely innocuous agreements".

The CBI wants the Commission to "lift the burden of regulation where it is serving no purpose", he said.

This would require a number of changes.

The rules should apply only where commercial agreements had a genuine effect on intra-state trade. The Commission should set out clear guidelines covering the widest possible range of circumstances in which agreements would be deemed not to have an effect on intra-state trade.

To reduce the number of insubstantial agreements caught by article 85, the turnover element of the *de minimis* test should be abolished and the market share threshold raised substantially.

And block exemption regulations should be reassessed to guide companies towards drafting agreements which do not need Commission clearance.

The CBI has fewer concerns about article 86, which covers abuse of market power. Nevertheless, Mr Elks's committee is worried about the swinging fines that can be imposed for behaviour which was not to be legitimate at the time it was undertaken.

It is also concerned that intellectual property rights might be undermined if the Commission develops further the notion that, under article 86, it is unlawful for rights owners to refuse to grant licences to competitors. This issue is currently before the European Court of Justice in the Magill TV listings case. The advocate-general's preliminary opinion will be delivered next week.

In future, the CBI would like to see action under article 86 taken only where dominant companies are clearly abusing their market power.

The CBI also has concerns about a number of the procedures and practices of the Brussels competition directorate, DGIV. There is a lack of safeguards ensuring that the rules of natural justice and rights of defence are respected, it says, and a lack of supervision of the fact-finding and decision-making processes.

These concerns have also been addressed recently by a subcommittee of the UK House of Lords Select Committee on the European Communities, which called for improvements in the Commission's handling of competition cases.

Such matters were not merely of British interest, said Mr Graham Mason, head of corporate and commercial affairs at the CBI. There was a general feeling among the members of Unice, the European employers federation, that competition rules needed to be reinterpreted to reduce delays and cut unnecessary bureaucracy, he said.

He did not expect every member of Unice to support all the detail of the CBI's proposals, but if the discussion document initiated a debate, pressure on the Commission to take action would mount.

LEGAL BRIEFS



Increasing resort to liability insurance

A survey of UK directors' and officers' liability insurance shows that 62 per cent of companies now have cover, compared with 46 per cent in 1991, and the total UK D&O premium has risen to between £85m-£75m, up from between £40m-£55m in 1991. Almost half the companies that responded to the Wyatt Company's 1993 survey said they had bought D&O cover because they felt their directors were at risk, with 22 per cent saying they had bought it on their insurance advisers' recommendations.

The main business sectors buying D&O cover were banking, consumer goods/foods, oil/chemical/pharmaceutical, and industrial holdings. All banking respondents, 88 per cent of consumer/food respondents and 78 per cent of oil/chemical/pharmaceutical and industrial holdings companies bought D&O insurance. Compared to 1991, the purchase of D&O cover has increased in every industrial classification except engineering.

Profits down

Law firms in central London had their worst year for more than a decade in 1993 with profits down on average by 20 per cent, according to the annual survey of law firm performance carried out by the Centre for Interfirm Comparison. Typical profits per partner of London firms fell from £100,000 three years ago to £73,000 in 1993. Half London firms suffered a fall in revenue. Litigation was the only area of work to show growth, but the modest 4 per cent rise indicated the boom in litigation was over, the centre said.

The profits of provincial firms improved in 1992, but remained below 1990s levels. Conveyancing, once the mainstay of provincial firms, accounted for only one-third of revenues.

PEOPLE

Age no encumbrance at Attwoods

Several years beyond the statutory retirement age, Lord Lane - created Lord Lane of Horsell by Margaret Thatcher in 1990 - has stepped up his duties at the international waste management group Attwoods to become non-executive chairman, at 88.

Ken Foreman, a comparative junior at 59, is to continue as chief executive, while Sir Denis Thatcher, 78, is retiring as non-executive deputy chairman.

By profession an accountant, Lord Lane, right, said yesterday that "in a perfect world one doesn't appoint a chairman of 68" but that the board is fully aware of his age.

The decision to split the chief executive and chairman's role is being made to ensure compliance with the Cadbury committee's recommendations on corporate governance.

Foreman said yesterday that "it's not easy to find really good non-executives" and that Lord Lane's "knowledge, experience and bright mind" mean that "he has has all the requirements to be a first class chairman".

Attwoods has gone through uncomfortable times recently, plus the October 1993 sale of another US subsidiary, the loss-making metal re-cycling company Mindis, which required a £25m provision to cover the loss on disposal, had put the group in better shape to face the future. "All we need now is for the economy generally to pick up," he said yesterday.

In 1992 Lord Lane retired as a senior partner of chartered accountants BDO Binder Hamlyn and first joined the Attwoods' board in July 1992.

Among his other interests Lord Lane numbers the chairmanship of the charity Action on Addiction, and the deputy chairmanship of the outdoor advertising specialist More O'Ferrell.

He said that Attwoods is now seeking to make two new non-executive appointments, and that one of these will probably go to an American, boosting the group's representation in its most important region.

Friedman moves from Stoy to Arthur Andersen

Robert Friedman is joining Arthur Andersen, the UK's fourth largest accountancy firm, after jumping ship from Stoy Hayward, the tenth.

Friedman, who said his move from Stoy was "amicable", will head a new pay and employee benefits practice, drawing on his experience as head of Stoy Benefit Consulting.

The move is significant because his role will be to help build up the discipline for new reinsurance ventures in Bermuda such as ACE, EXEL and Mid-Ocean.

Most Andersen disciplines have by contrast been led from the US, where the firm was founded. The UK practice recently took the lead in developing new staff.

He has been president of the parent company since 1992, a position he will now relinquish.

Marsh McLennan Risk Capital was formed in 1992 to manage and develop Marsh & McLennan's backings for new reinsurance ventures in Bermuda such as ACE, EXEL and Mid-Ocean.

Clements says it will invest in start-up operations in the industry and make "friendly" investments in existing insurance and reinsurance ventures where it believes it can increase shareholder value.

Rebecca Cottrell, buying and merchandising director for Burton Retail, has been appointed md of SEARS Children's division.

Victor Maundrell, a director of THE MORGAN CRUCIBLE COMPANY, has been appointed chairman of its technical ceramics division on the retirement of Brian Jones, who remains non-executive chairman of Morgan Australia.

Peter Muldowney, president of Morgan Chemical Products Inc, succeeds Maundrell as chairman of the speciality materials division.

Ian Barber is appointed head of finance at RAILTRACK PROPERTY; he moves from Cray Research.

■ Roger Partington, formerly UK marketing director of Nestle, has been appointed marketing director of SAFEWAY STORES.

■ Alan Begg has been appointed md of T&N Technology; he moves from BP.

■ Ian Macpherson, a leading figure on the Scottish corporate scene, has died at the age of 57. He had been suffering from a brain tumor since last autumn.

Macpherson, a big and exceptionally good-natured man, was until recently chairman of two quoted Scottish companies, Watson & Philip and Low & Bonar, both based in Dundee, before resigning due to ill health.

After his education at Morrison's Academy in Crieff, Perthshire, Macpherson trained as a chartered accountant, then became an investment manager with the Alliance Trust in Dundee, before moving to London where he was a stockbroker with W Greenwell.

He later joined Manufacturers Hanover and in 1979 became a director of the British Linen Bank, the merchant banking arm of the Bank of Scotland, first in London and then in Edinburgh.

In 1982 he left British Linen as deputy chief executive, and began a career in industry, becoming chief executive of Watson & Philip, the Dundee-based food distributor, where he soon afterwards took over the chair.

He is credited with taking Watson & Philip from its former marginal position in wholesale distribution into the condition of being a national player, and then transforming it into a retailer with a chain of convenience stores.

In 1990 he became non-executive chairman of Low & Bonar, the Dundee-based manufacturing company in packaging and plastics, where chief executive Jim Long yesterday called him "a clear thinker with a great feel for business and appreciation of the future."

In 1992 he was chosen to chair Caledonian Newspaper Publishing, the company which owns the Glasgow Herald, when it was acquired by its management from Loughborough. Macpherson was also a director of the International Stock Exchange.

Macpherson, who leaves a wife and two children, moved from Edinburgh to St Andrews when he joined businesses in Dundee. His main hobby was golf and he was an energetic raiser of money for charity, particularly those connected with sport.

■ Sir Brian Kellet, chairman of UNIGATE, has died after a short illness.

■ Terry Upshall, a non-executive director of THE BERKELEY GROUP, has died.

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ARTS

Concert

Suave Gallic strings of the Ysaÿe

Among young and youngish string quartets, an impressive number can date their international careers from the Ettiv competition in Switzerland. The Ysaÿe Quartet won it in 1988, and have never looked back. The quartet has reappeared twice at the Wigmore Hall this weekend, as suave and polished as ever.

Its Saturday programme might have been designed to honour its namesakes of former times – for Debussy's quartet had its 1893 premiere at the hands of the original Ysaÿe Quartet, and the solo violinist in the first performance of Chausson's *Concert* for violin, piano and quartet was Ysaÿe himself.

The players' enunciation was scrupulous. They twinkled softly in Debussy's scherzo instead of dancing, but produced ravishing sounds in all the rich chordal passages

The guest soloists here were Pierre Amoyal and Pascal Rogé, both determined to rescue the fustian stretches of the work with sweeping confidence and flair.

Rogé in particular aimed at a near-Beethovenian weight; a little more than the *Concert* will quite bear, in sober truth, but impressive while it lasted. (About 40 minutes, by the end of which Chausson has wrung his material almost dry.)

Amoyal soared and dazzled in his best style, and the whole ensemble was seamless. This was the second half of the concert; it reinforced the feeling one had in the first half, that on its own the Ysaÿe team sounds less perfectly balanced than formerly – its leader needs more weight to make himself felt against the strong viola and cello.

That small failing made little difference to the quartet's searching, often very beautiful accounts of the Debussy and of old Faure's intricate, gentle quartet. The players' enunciation was scrupulous. They twinkled softly in Debussy's scherzo instead of dancing, but produced ravishing sounds in all the rich chordal passages.

If the Faure was slightly understated (the music is almost secretive), its elaborate weavings and its sideslipping harmonies were always lucid. In Faure's slow movement as in Debussy's, they were at their delicate, faithful best: there was a sense of magical elevation.

David Murray

New look at the Tate

William Packer reviews the gallery's rehang

For the fifth time running, Nicholas Serota, director of the Tate, begins his year, and ours, with a fresh trowel through the collections; and what was once a matter of high contention is now accepted with but a shrug of irritation at familiarity confounded, and pleasurable curiosity as to what new, fresh, forgotten things have been pulled out of store.

The serious point is that with works of art, as with people, even the most familiar or important are seen anew in fresh company, for good or ill. The serious question is how far should one go in indulging such change for the sake of it, at the sacrifice of any more settled context and consideration? The answer – compromise if you like – is simply the striking of a balance between the two.

Serota's first great coup was born of his audacity in entirely re-ordering the historical sequence of the displays that he had inherited with his appointment. His second, no less radical, was the opening up again of the central axis of the Tate, the Duveen Sculpture Hall, and rededicating it to its original purpose. Once done, both changes seemed obvious and inevitable, and, five years on, we would hardly wish them undone.

The shift of the Tudor and Stuart paintings, with which the sequence of the displays begin, from the bustle of the galleries at the front of house to the furthest corner gallery at the back, is especially happy for the appropriate quietness and sense of permanence it affords them. They are in any case, by the very nature of the collection, less subject to constant reshuffling.

The Sculpture Halls, on the other hand, have been subject inevitably and most conspicuously of all to the annual change-around, and triumphantly so. It is in the nature of the Tate that it should hold so much more than it can ever show together, and sculpture simply presents the problem at its most acute. Turn and turn about is the only way, and with last year's Rodins now replaced by Anglo-French turn of the century academicism – Reynolds-Stephens' "A Royal Game", of Elizabeth I and Philip II at chess, dominating the

Torso: a stone sculpture by Frank Dobson, 1933

itself has often been indulgently sparse – space where there might have been pictures. My own sense of it is that the criticism has been met, but only to a degree.

The hang seems a little more setted than before and certainly more comprehensive, at least on the British side from the 16th to the 19th century. The 18th century is served well enough, from Hogarth and his contemporaries to Gainsborough,

Zoffany, Stubbs and Reynolds. Wright and Copley, then into the 19th century with the landscape painting of Constable, Cox, Turner, Crome and all. The pre-Raphaelites have and to themselves, as do the high Victorians, Martin, Leighton, Orchardson, Millais and Burne-Jones – and how good to see Farquharson's sheep in a blizzard, and Frederick Walker's delightful young widow stepping out through "The Old Gate".

British aestheticism, impressionism and post-impressionism are also well served, with a room of Sargent, Albert Moore, Whistler, Steer, Sickert and Gwen John, and another of late Derain and Bonnard along with Smith, Gross – a fascinating comparison with Derain – Grant and Vanessa Bell. William Nicholson, father of Ben and, in many eyes, infinitely the more gifted painter, is rightly given a small display to himself.

But from here the problems start, not so much in the particular choice of what is shown, as in what is necessarily left out. From the Cubists and Vorticists in Room 14 through to the old modern side, the sense is that suddenly the Tate has run out of space. From this point the displays, room by room, are increasingly selective, even cursory, as they light upon this subject, now that Bacon and Giacometti: a roomful of portrait heads; abstraction in the 1940s, '50s, '60s.

This is, of course, a political statement that is being made, not so obliquely. The Tate indeed ran out of space long ago. Positive initiatives have already been taken, at Liverpool and Saint Ives, and we await the decision on what might be done at Bankside or the South Bank. But the problem remains for the moment what it has always been, that the Tate as it is has an impossible brief. We, for our part, must make up our minds just what it is we want and expect of it: our national gallery of British Art; of modern British in its international context; of international contemporary art? Yes please; all three.

The New Displays 1994: The Tate Gallery, Millbank SW1 – sponsored by British Petroleum



'Magdalene with Pearls in Hair', 1919, by Lovis Corinth in his Impressionist period



Scene from 'The Quest for Don Quixote'

The virtues and vices of mime

Alastair Macaulay goes in search of enchantment at the London festival

So why do I love mime? Because I love illusion. If someone can make me "see" a door that is not there, can "become" a different character through body language alone, he or she will have my attention. If they can sustain that illusion, can make me feel that their behaviour has summoned up a whole imaginary world around them, then I am enchanted.

The London Mime Festival, however, may not be the best place to find the kind of mime I mean. This year's 18-day festival has just drawn to a close; I caught six performances. But the best mime I saw that January occurred elsewhere – at Covent Garden, in *The Nutcracker*, in a performance when that great artist Stephen Jeffery played the old magician Drosselmeyer, and, with miraculously economy and sincerity of movement, showed the anxiety, tenderness, solicitude, authority, and fantasy at the heart of this character.

The Mime Festival performances I saw have made me suspect that professional mimes do the worst kind of mime. Why does the prospect

of a mime performance make my heart sink? Because most mime is so literal, so gliblying, so repetitious, so teenage and – oh – so audience-directed. For the average mime performer this January, it was never enough merely to enact opening a door or riding a horse. No, sir. He had to make a hefty great business out of doing so, had to do it with sound effects, had to do it again and again, and, while doing it, had to keep turning his face to the audience, with his big eyes wide open at us, as if to say "Get this!"

I use the male preposition advisedly. Mimes tend to be male. I saw 18 mime performers this festival; only two were female. (Even Théâtre de Complicité, usually an equal-opportunities employer, chose to present an all-male show this time.) Do these statistics suggest that mime would be better if more women were active in the field? Or that mime somehow brings out certain male tendencies of thought? (The latter, I fear.)

The Complicité three-man

show, a revival of the 1994 *A Minute Too Late*, was the best work I saw. Simon McBurney's impersonation of a drab, blundering, apologising, inhibited, middle-aged little man who cannot express the grief he feels about the death of his wife was a delicious performance, and the show has several great set pieces of physical comedy.

Yet even these Complicité artists, alas, go in for some of the hello-audience cuteness and obvious shitsicks that so irritate me in lesser mime shows. One performer will make a darling effect by suddenly "becoming" an impersonal object like a kitchen dresser – but then will turn his deadpan face to us (i.e. "Isn't this funny") and then back again. I will pass over Moulin Théâtre (French) and its wretched piece of sub-existent absurdism *After Ego*; and I have already reviewed The Right Size's heavy account of *Mouise*. As for Ralf Ralf's account of *I'm Staring You Right in the Face*, although it was a piece of sophisticated nonsense theatre, it was marred by the way it would flag each of its charming nonsensical ideas to death. (Also by its audience, which determinedly and doggedly laughed at the performers' slightest antics.)

I was curious to read that Commissum and The Institute of Curiosity and Execution would be joining forces to create *The Quest for Don Quixote*; this impressive-sounding conglomeration turned out to be a three-person show. Phelim McDermott and Julian Crouch directed and designed. I loved the way they created windmills and mountainscapes and seas and more from ordinary household implements (stepladders, a blanket, some rope). But again, cuteness kept rearing its head; and, curiously, there was less true quixotism here than in McDermott's own performance in *Richard Jones's 1990 Old Vic staging of The Illusion*.

The virtues and vices of mime were all evident in MTP Productions' three-man version of *The Three Musketeers*. I loved the way that three men managed to evoke not only the

four musketeers, but also the whole dramatic personae of Dumas's novel (and Gene Kelly & Co. to boot); I yawned through their more laborious comic and gratuitous set pieces, I deplored the bright-eyed dear-audience mugging that kept cropping up, and I giggled happily through the campy Hollywood grands pas de deux for d'Artagnan and Constance.

And sometimes I found myself oddly thrilled. One brief and wordless scene between Milady and Cardinal Richelieu was of course absurd; and yet... it was accompanied, to uncannily brilliant effect, by the *Dieu frère* from Mozart's *Requiem*, which lent it both the religious and furious tones appropriate to Richelieu. And its few gestures went straight to the core of Dumas's novel, catching its glamour, its danger, its sense of conspiracy, even its high camp – in only a few instants. How did they suggest so much so quickly? When mime is economical, and audacious musical, as here, it is like conjuring.

ARTS GUIDE

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandinavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY

Super Channel: European Business Today 2230;

repeated 0630, 0715

Super Channel: FT Reports 1230.

TUESDAY

Super Channel: West of Moscow 1230; FT Reports 2130

Euronews: FT Reports 0745, 1315, 1545, 1845, 2345

WEDNESDAY

Super Channel: FT Reports 1230

THURSDAY

Super Channel: West of Moscow 1230; FT Reports 2130

Euronews 0745, 1315, 1545, 1845

FRIDAY

Super Channel: FT Reports 1230

SATURDAY

Sky News: FT Reports 2030

SUNDAY

Sky News: 0330; 1330

Super Channel: FT Reports 2230

Sky News: FT Reports 1730; 0430

Super Channel: FT Reports 1730; 0430

Super Channel: FT Reports 1730; 0430

Haenchen conducts Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schimmele (in repertory till Feb 24. Feb 11: first night of Dutch National Ballet mixed bill (020-625 5465)

(02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY
Daniel Barenboim is piano soloist in tonight's Mozart programme, and also conducts works by Schoenberg, Berg and Bruckner on Thurs, Fri and Sat, with soloists Peter Serkin and Pamela Frank.

Vladimir Spivakov and the Moscow Virtuosi give a concert on Sun, with cello soloist Wendy Werner (312-433 6666).

CHICAGO LYRIC OPERA

The season runs till Feb 20 with La traviata, Wozzeck and Tosca. June Anderson and Roberto Alagna star in the Verdi. Wozzeck is a Barenboim-Chéreau production with Franz Grundheber and Waltraud Meier. Tosca is sung by Maria Guleghina (312-332 2244).

■ BRUSSELS

Monnaie Tonight, Thurs, Sat: Lionel Friend conducts David Pountney's ENO production of Jonathan Harvey's 1992 opera *Inquest of Love*, with cast including Nan Christie, Peter Coleman-Wright, Helen Field and Richard van Allan. Feb 10, 12: concert performances of Verdi's Otelio (02-218 1211).

Palais des Beaux-Arts Tonight, tomorrow: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in two programmes, including works by Sandström, Beethoven, Bartók and Stravinsky. Thurs: Hiroyuki Iwaki conducts Belgian National Orchestra in Marco, Szymonowksi and Tchaikovsky, with violin soloist Igor Oistrakh. Next Wed: Teresa Berganza (24-hour information service 020-675 4411 ticket reservations 020-671 8349). Muziektheater Tonight, tomorrow. Thurs: Lucinda Childs Dance Company. Fri, Sun: Hartmut

with Kirov soloists, in Swan Lake. Feb 8-12: My Fair Lady, the Lerner and Loewe musical sung in English (070-380 4930).

Dr Anton Philipszat Thurs, Fri, Sun afternoon: Gunther Herbig conducts Hague Philharmonic Orchestra in works by Brahms, Mozart and Beethoven, with violin soloist Kaja Danzowska on Thurs and Fri, and pianist Peter Rose on Sun (070-360 9810).

■ VIENNA

Staatsoper Maria Ewing sings the title role in Madama Butterfly on Thurs and in Tosca on Feb 8 and 11. Repertory also includes Maria Stuarda, Salomé, L'elisir d'amore and Die Fledermaus. The annual open ball is on Feb 10 (51444 2935). Anja Silja sings in The Makropoulos Case at the Volksoper on Feb 3 and 18 (51444 2980).

Konzerthaus Tonight: Albrecht Berg Concert plays Haydn and Berio. Tomorrow: André Previn conducts London Symphony Orchestra in Beethoven, Mozart and Shostakovich. Thurs: Hagen Quartet plays Haydn and Mozart. Fri: Thomas Hampson song recital (712 1211).

Musikverein Tomorrow: Clemencic Consort plays music for baroque cello by 17th century Neapolitan composers. Thurs: Martin Haselböck Concertos on original instruments. Fri: Michael Gielen conducts Austrian Radio Symphony Orchestra in works by Apostoli, Stravinsky and Skryabin, with piano soloist Markus Schirmer. Sat evening, Sun afternoon: Fabio Luisi conducts Tonkünstler Orchestra in Beethoven programme.

■ THE HAGUE

AT&T Denetheater Tomorrow, Thurs, Fri: Nederlands Dans Theater mixed bill, including new work by Hans van Manen. Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet, Sun afternoon: St Petersburg Ballet, Mon evening: St Petersburg Ballet, Tues evening: St Petersburg Ballet, Wed afternoon: St Petersburg Ballet, Thurs evening: St Petersburg Ballet, Fri afternoon: St Petersburg Ballet, Sat evening: St Petersburg Ballet

If the government's review of the Post Office is prolonged, the service will still be in the public sector when Prince Charles' head is on the stamp.

The comment of a Tory back-bench MP representing a rural constituency underlines the government's confusion over its plans for what remains the UK's biggest public sector corporation. Today Mr Michael Heseltine, trade and industry secretary, gives evidence to an inquiry by the all-party Commons trade and industry committee on the future service of the Post Office.

The Commons investigation was prompted, in part, by fears that the corporation's profitability was threatened by uncertainty about the government plans.

Ministers' indecision is particularly baffling given that Mr Heseltine chose to put privatisation back on the agenda by announcing in 1992 a review of the Post Office's status. He is personally in favour of its sale.

Adding to the government's discomfort, Post Office executives are becoming increasingly vociferous in their criticism of the government's inaction.

Mr Edward Leigh, the former DTI minister responsible for the corporation, says the review process has gone "horribly wrong". Back in 1992 he felt the case for ending the corporation's monopoly on letter deliveries costing less than £1 was overwhelming.

His view that state ownership could no longer be justified was backed by the government's own adviser, Kleinwort Benson, the UK merchant bank, which last year recommended privatisation of the Royal Mail, the letters division. It suggested leaving the post offices in the public sector. (The government is already looking for a buyer for the parcels division.)

After the Kleinwort Benson report was completed, Mr Leigh was sacked by the prime minister because of his views on European policy, and Mr Heseltine had a heart attack, from which he only fully recovered at the end of last year.

But such events go only a little way towards explaining the delay. More significant has been the scale of opposition to privatisation, which has surprised Mr Heseltine.

Many Conservative back-benchers particularly those threatened by Liberal Democrats in the south west of England - are worried about the impact of privatisation on the rural postal service.



Michael Headline

Roland Rudd says the uncertain future of the Post Office poses a dilemma for the government

The decision is in the post

Although the operation of 19,000 sub-post offices, has been contracted out by the Post Office - meaning that they are in effect already privatised - many in rural communities rely on a subsidy from the central Post Office. That support - which for the smallest rural post offices is worth £2,500 a year - allows them to continue acting as agents for the government in, for instance, paying state benefits.

One senior Tory back-bencher reports an "alarming increase" in the number of constituents complaining to him about the future of community post offices.

Ministers privately credit the Union of Communication Workers - the Post Office workers' union - for waging an effective "scare campaign" against privatisation.

Enough Tory MPs have passed on their concerns to the Whips Office or to Prime Minister John Major for the DTI to realise privatisation has receded as a politically feasible option, given the government's 18-strong Commons majority.

Instead Mr Heseltine has embarked on a new approach, drawing up proposals for what some in the DTI sees as a "half-way house", whereby the Post Office would remain in the public sector but have more commercial freedom. One proposal is that the government should agree to the Post Office's demands for a relaxation of the restrictions pre-

vending it from forming international joint ventures.

The corporation wants to be on a par with the Dutch post office, being privatised early this year, and the German and French post offices, which are allowed alliances with companies in the private sector.

International expansion in, for instance, the courier business, could increase profitability by expanding the range of services the Post Office sells.

But even such unambitious plans are likely to face resistance. The Treasury is opposed to state-owned companies using surplus cash to invest in alliances with private companies, arguing the money could be better used helping bring down the £50bn public sector borrowing requirement.

Mr Bill Cockburn, chief executive of the Post Office, complains the corporation is being used as a "milch cow" to raise cash for the Treasury.

The Post Office's external finance limit target - the amount it has to pay the government each year - has risen to £220m in 1994-95 and is set at £210m for the following year. The Post Office has said it can meet the targets, but only at the expense of capital expenditure and investment. If the curbs are not loosened, Mr Cockburn says they may mean higher stamp prices and could threaten the corporation's 15-year history of profitability.

Mr Heseltine thus finds his options limited. Yet a number

of options remain that would allow the Post Office to make more use of its assets while remaining within the constraints imposed by the PSBR.

• First, the DTI could extend the government's efforts to attract private finance into public sector projects. The Treasury's objection to the Post Office using surplus cash for new business could be circumvented if the investment in joint ventures came from the private sector.

• Second, the DTI could propose a relaxation of the limits on the services Post Offices can offer, which are intended to prevent unfair cross-subsidisation. Currently a post office can sell sealing wax but not staples.

• Thirdly, the Royal Mail could be allowed to deliver a wider range of products, including newspapers.

Such proposals might prove both politically expedient and appealing to the Treasury because the more Post Office shops can sell, the more profitable they could be, and the less likely they are to close. The subsidy for rural post offices would continue.

Such an approach is believed to be gathering support in the DTI. It would address Post Office management's concerns. In the longer term it would leave open the option of the Post Office shops being separated from the Royal Mail and put privatised on the back of the latter.

Mr Clinton capitulated on



US President Bill Clinton's decision to grant a visa to Mr Gerry Adams is unhelpful. At the worst it might destabilise the Anglo-Irish strategy for managing the conflict in Northern Ireland. I say "managing the conflict" rather than "peace initiative" because it is prudent to keep the small print pessimistic.

The overall strategy remains in place. It was worked out last year by Mr John Major and Mr Albert Reynolds. The declaration by the British and Irish prime ministers, published shortly before Christmas, gives Irish nationalists an opportunity to win by peaceful persuasion the unity for their island

that 25 years of bloodshed have shown cannot be achieved by violence. The terrorists among them are, reasonably enough, asked to cease hostilities before they can take part in negotiations. The strength of the joint declaration lies in the fact that it puts the two governments on the same side. They have not yet wavered on its central tenets. So far so good.

Enter Mr Clinton. This is a relatively small matter for him. He has no need to count, only votes. He is, however, an intelligent man. So on Saturday morning the US position was the same as that of Mr Major and Mr Reynolds: Mr Adams must renounce violence and accept the joint declaration before a visa is granted. The latter, a master of blarney, let his words travel far enough in the required direction, without his meaning moving an inch. That enabled the president of the US to cast aside his brain, redeem a campaign promise and appease a powerful Irish lobby.

Mr Clinton capitulated on

Saturday evening. The dispute clearly divided the Irish-American community. The visa was stamped in the US embassy in Dublin. The ambassador there is Jean Kennedy Smith, sister of Senator Edward Kennedy. This was a victory for both Ted and Senator Daniel Patrick Moynihan over a third formidable Irish-American, Mr Tom Foley.

The speaker of the lower house was armed with arguments provided by the British ambassador to Washington, Sir Robin Renwick. For once the Renwick magic was insufficient. Perhaps it never had a chance. The case against dealing in the open with Mr Adams has been harder to make to Americans since Messrs Reynolds and

Major promised that, after being barred for 20 years, the leader of Sinn Féin set off for New York. Mr Clinton presumably felt that the senators, who face re-election this year, had greater need of his assistance than the speaker.

The US is clearly not constitutionally equipped to play the game in the stonewall manner implied by the Reynolds-Major statement. Its centres of political influence are too diffuse. You cannot always say who will come out on top in a particular argument. This is a pity. A unified stance by the British, Irish and US administrations might have led even the IRA to reflect that it was hopelessly isolated. The question that the prime minister now has to ask himself is - which is the odd country out? Mr Reynolds is still on board, as his recent scholarly exposition of the democratic nature

of peaceful self-determination confirms, but his government did unilaterally remove the ban on radio and TV appearances by Mr Adams and his ilk. It might have done better to wait for a joint relaxation of media rules by both London and Dublin. The Irish also appear to have taken quiet satisfaction in the granting of a visa to the Sinn Féin leader. Is it Britain that needs to make a course correction?

The answer depends in the first instance upon how you perceive Mr Adams. The president of Sinn Féin is customarily depicted as a front-man for the IRA. His party is usually described as the bombers' political wing. The British view is that he is too steeped in blood to be qualified to take part in the democratic process until there is an IRA ceasefire and he renounces the "armed struggle". The Irish and American view appears to be a softer version of this, namely that Sinn Féin has to be drawn into the peace process, since both it and the IRA are split. The more exposure that can be given to supposed doves like Mr Adams, the more likely it is that they will prevail.

It would be easier to accept this proposition if there was any evidence in support of it. There is none. We are invited to take the word of Mr John Hume, the Social Democratic and Labour party member of Parliament whose work for a peaceful settlement has been admired by all. Mr Hume is an honourable man, devoted and brave in his pursuit of an end to the killing. We do not know what Mr Adams says behind closed doors, but to judge by

his public statements he has not condemned IRA violence, let alone pressed for a ceasefire. Mr Hume has begged the IRA to suspend the slaughter while they and Sinn Féin debate the Reynolds-Major declaration. He may have been encouraged to do so by his private conversations with Mr Adams, but the latter has yet to be seen deploying even the most basic argument for peace, such as that unity can only be gained through the ballot box, minus bullets. Perhaps Senators Kennedy and Moynihan will prevail upon him to do so while he is in New York.

The British view is that the Major-Reynolds declaration will slowly achieve its desired end, which is a cessation of violence. The Northern Ireland secretary, Sir Patrick Mayhew, has avoided negotiation with Mr Adams while doing his best to maintain the moral and rational high ground. Sir Patrick will not "clarify" in the sense of altering the original meaning of the declaration, but he will make it intent clear. This war of words may continue for some time. Britain might as well lift the ban on the broadcasting of the voices of Mr Adams and his colleagues, since their words, spoken by live interviewers, are not challengeable by live interviewers.

The principal response to the granting of a US visa to Mr Adams should be a review of British public relations. This is an area in which London's expertise is at least matched by Sinn Féin, in Belfast, Dublin and New York. Mr Adams plainly cannot be silenced. Attempts to muzzle him have increasingly become counter-productive. There is no call from Dublin or Washington to negotiate with Sinn Féin, at least not until it calls for a ceasefire. The Major-Reynolds strategy for managing the violence therefore dictates itself. Mr Adams must be out-argued.

Joe Rogaly

Let the arguing begin

Mr Adams has yet to be seen urging that Irish unity can only be gained through the ballot box, minus bullets

Tunnel fight will not be skimped

Verbiage and capital losses clause should be thrown out

All a matter of taste

Flawed sale of Rover Group

From Dr J G Elliott

Sir, I am a little surprised that you should publish Michael Thompson-Noel's gratuitous insults aimed at the people of Kent in "Tunnel of Sights" (Hawks & Handsaws, January 29). I may or may not be a "selfish and common sort", but I see no reason "to shut up" in the present circumstances. Presumably he feels that the common yokels of Kent should touch their straw-ridden forelocks to Mr Major, and probably indeed to Mr Thompson-Noel if he ever leaves the city (or cocktail belt?) to widen his "experience". He may be an expert on macro-engineering, but has he given any thought to our present problems?

The "venomous anger" had long since abated with the route fixed in the corridor already ruined by the M20, and huge sums paid in compensation. Now a few Ashford councillors, without consultation, have produced a new route which deviates an entire mile from the corridor through one of the most beautiful areas of Kent, including this village which is considered so idyllic that the "Daring Buds of May cricket match" was filmed here! The new route has some merit in taking the new line to the new station, but would never have been suggested if our penny-pinching government had not refused to tunnel from the original route, on the grounds that it would cost £50m, a paltry sum compared with the Channel tunnel cost.

I agree with Mr T-N, this is a great project, comparable to the Great Wall of China in the time it will take to complete, so why wreck it by economising? I am sure Appius Claudius did not skimp on his paving stones. I suspect that the people of Kent will fight for this tunnel in spite of the views of Mr T-N, who would evidently be delighted if Mr Major resuscitated the Fourth Legion and sent it to Little Chart.

J G Elliott,
Coldham,
Little Chart Forest,
Ashford, Kent TN27 0PU

From Mr Nicholas Khan

Sir, I was intrigued to read in Antony Thorne's article on choc art ("Arts: The sickly sweet smell of success" January 29/30) that Karsten Schubert is offering to sell for £5,000 a certificate which purports to entitle the buyer to decorate a room to a specified height with plain chocolate applied with a brush in three layers.

It may be that you number among your readers those who consider themselves to be at the cutting edge of contemporary art and who might be chewing over the purchase of a piece of choc art. Here in Belgium, eating chocolate is thought to provide a more satisfying experience than dabbling in one's walls, but this may simply be a reflection on the relative merits of British and Belgian chocolate.

Some time ago, I conceived the idea of painting the walls of my living room, not with chocolate, but with white paint, applied with a roller in three layers.

May I, through the good offices of your letters column, encourage you to buy my artwork rather than Mr Schubert's. I am prepared to allow readers of the FT to acquire my latest oeuvre for only £4,995. While I fear that some of your more hard-headed readers will be aware of the old copyright lawyer's adage that there is no copyright in ideas, only in the form in which they are expressed, I believe that the Cork Street area contains a gratifying number of people who have white painted gallery walls and who possess money and credibility in equal quantities.

I would be grateful if you would forward any cheques received.

Nicholas Khan,
58 rue de la Brusse,
1050 Brussels,
Belgium

From Mr Hugh Raven

Sir, Reading the letter from the managing director of Cory Environmental (January 29), I was deafened by the sound of grinding axes.

The fact that Mr Riddle's business depends on the continuing unsustainable use of packaging should not blind him to a balanced view of the issues.

He accurately quotes the House of Lords select committee report with respect to packaging waste. Unaccountably, he omits to quote another finding in the same report, to the effect that re-usable packaging such as returnable bottles uses one quarter of the energy of the single-use alternatives.

Could this be because they do not end up being put in a hole in the ground, and therefore providing business for his company?

Hugh Raven,
environment spokesman,
Labour Group,

The Town Hall,
Kensington W8 7NQ

From G D Redfearn

Sir, Your supplement on

Mobile Computing (January 26)

highlighted the trend among manufacturers to reduce pro-

gressively the size of portable computers (laptop, notebook,

sub-notebook, palm-top, etc.)

As the owner of, average build,

that Russia and other Slav

states would step up their help

to the Serbs; and the most

likely threat to peace is of open

conflict with Russia.

How unconvincing each of

these is. Since when was sup-

port for a good cause made

conditional on exact advance

costing? Remembering the con-

tinual flow of arms from Serbia

to Bosnia which was reported

all last year, whence comes Mr

Davidson's "certainty" that it

would increase? And a Russia

on the brink of social collapse

can hardly be capable of "open

conflict" with the west.

But the main point, which

Mr Davidson entirely misses, is

that only a balance of power in

Bosnia can lead to a peace set-

tlement, and the only way to

establish a balance of power is

to arm the government forces.

Obviously Serbs and Croats

will only agree acceptable

peace terms if they realise that

they cannot win. Had that situa-

tion confronted them two

years ago the war would have

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Tuesday February 1 1994

Don't cry over Rover

Many Britons will see the sale of Rover to Germany's BMW as a defeat. It marks the end of an independent and indigenous car industry. The deal may also seem like another step in the inexorable decline of British manufacturing. But, while such sentiments are understandable, there is no reason to feel defeated. The damage done, largely by poor industrial relations, to Britain's car industry occurred years ago - both before and while Rover and British Leyland were state-owned. Yesterday's deal is a sign that much of that damage has been repaired.

Since Rover was sold to British Aerospace, it has improved productivity, reversed its long-term erosion of market share and taken its product range up-market. BMW's willingness to pay £200m in what its executives see as the boldest strategic move in the car group's history is testimony to the strides that have been made since privatisation.

Retreating into a narrow nationalism is not an attractive option for British industry. The country's openness to foreign investment is one of its principle attractions, which has produced not only a valuable flow of finance but enabled British industry to acquire new skills.

In the motor industry, there have been large investments by Japanese groups such as Nissan and Toyota, and German groups such as Bosch. Rover itself has already learned Japanese lean production methods through its association with Honda.

Britain's openness to foreign investment has also brought rewards in other sectors. For example, the sale of ICL, the country's premier computer group, to Japan's Fujitsu has led to a revitalised corporate strategy and helped ICL to emerge as the most profitable large computer company in Europe.

Practical question

Some will be tempted to argue that Rover should have kept its independence either within the BAe group or as a stand-alone business. Such a strategy might have secured its survival but it would not have provided a platform from which to grow and flourish. The high costs of research, development and distri-

bution mean that Rover's future was best secured as part of a partnership with another car manufacturer. Since no such British partner was available, the practical question was whether to link with BMW or Honda.

Honda had attractions. Rover might have learned more from the Japanese company given its superior productivity record by comparison with BMW. Set against this is the fact that Honda's own models are in direct competition with Rover's. In the end, the decisive factor was that BAe wanted to sell out completely to concentrate on its core aerospace and defence businesses. Honda was not prepared to buy the whole company.

Initial ideas

BMW's plans for Rover are not yet fully formed, but the initial ideas are encouraging. The German group wants to broaden Rover's production range, perhaps updating the Mini - something Rover could not have done on its own.

There is also talk about giving the British group access to BMW's distribution channels and engineering expertise, while gaining economies of scale from joint component purchasing. In the long run, BMW sees Rover as central to its strategy of providing a full range of models.

Questions, of course, remain. The most important is whether BMW can, indeed, turn itself from a successful maker of luxury cars based in Germany into an international group manufacturing less expensive cars as well. Can the company's core competencies be successfully applied to a higher-volume part of the car market? On the answer to this question Rover's future will largely hang.

There are also doubts over what will happen to Rover's existing relationship with Honda. At some point, it will probably have to be unwound. But Rover is currently so dependent on Honda that a hasty divorce could be damaging.

The world's motor industry remains highly competitive. The imperative to innovate, enhance productivity and fight for markets will not go away. There is no guarantee of success. But in BMW, Rover has found a first-class partner that gives it a good chance of doing so.

After Hanoi, Havana

The Clinton administration deserves applause for its efforts to lift sanctions against Vietnam and should move rapidly to take the final steps to end its embargo. It needs now to turn its attention to another legacy of the cold war: Cuba.

If the US can resolve its differences with a country with which it was at war two decades ago, it seems strange that the normalising of relations with Cuba is hardly discussed in Washington.

There are several reasons for this. Vietnam did not, at least initially, present such a challenge to America's way of life as Cuba, the former ally on its doorstep that joined the Soviet bloc.

Unlike in the case of Vietnam, there has been no important group of US companies arguing for the lifting of sanctions. Businesses have argued forcefully that non-US companies in Vietnam have been the chief beneficiaries of the US embargo, and have wanted equal treatment. There is evidence that some US businesses are becoming concerned about losing out in the Cuban market, but their worries have not been sufficiently developed to bring any pressure on policymakers.

Above all, domestic US policy considerations - and in particular the importance of the state of Florida where most Cuban exiles are based - have given the vociferous hardline opponents of the Cuban regime a new veto on the issue.

Tied hands

These groups may over time be becoming less representative of Cuban opinion in the US. But they have been skillful, winning during the 1992 election campaign the backing of both presidential candidates for the Cuban Democracy Act. This tightened the sanctions against Havana - including extending the embargo to subsidiaries of US companies based outside the US - and tied the hands of any administration to do anything about it.

The main objective of the act was "to seek a peaceful transition to democracy and a resumption of economic growth in Cuba" through the careful application of sanctions. The ultimate objective - to secure a soft landing for a Cuban transition to democracy - is indeed the correct one. The problem is that the embargo is

increasing the likelihood that eventual change in Havana will be violent.

The embargo is one of Fidel Castro's greatest allies in his struggle to remain in power. It allows him to blame many of the country's economic problems on Washington - blame which should lie squarely on his own shoulders. It permits his regime to characterise any regime as akin to treason.

Exile groups

The embargo plays into the hands of hardliners on both sides: to those in Cuba who want to avoid democracy at all costs and to those exile groups in the US whose desire for revenge against Castro overcomes all other objectives.

The consequences of violence in Cuba will thrust itself on to the US policy agenda. Yet there is no evidence that Washington has a policy prescription to help manage the transition in Cuba. It should begin now to map out in public the process whereby it aims to provide incentives for a return to democracy and the rule of law in Cuba.

A policy change is justified by the fact that some of the economic measures already taken by the Cuban government - the partial legalisation of the dollar and the granting of permission for (limited) self-employment - imply political changes. These in turn support a modest relaxation in the embargo.

Those parts of the embargo that deal with communications should be ended - allowing the Cuban people to gain some sense of what is going on in the outside world. Restrictions covering basic food and medicines should be lifted - helping to deprive Castro of the charge that the US is either trying to starve Cuba or leave it without the ability to tackle disease.

Then Washington should make it clear that - if Cuba complies with the economic conditions for joining the International Monetary Fund and the World Bank - it will not object to Cuban membership of those two institutions. This would provide incentive to change economic policies: political changes in Cuba's overarching state are then almost bound to follow.



BMW's takeover of Rover Group has stunned its competitors and sent shock waves through the world auto industry. The German carmaker, traditionally a byword for fierce independence, has until now remained aloof from the waves of restructuring that have swept over global manufacturers. Now, at a stroke, the Munich-based producer has outflanked Mercedes-Benz and devised an expansion strategy that is indelibly different to the one chosen by its arch domestic rival in Stuttgart.

It has stolen Rover from under the nose of Honda, the Japanese carmaker and Rover's alliance partner for more than a decade, leaving an air of betrayal in Tokyo.

Overnight it has become one of the world's leading players in four-wheel-drive vehicles, through Land Rover, and it has pulled out of the hat a strategy for moving into small cars without the danger of tainting its highly prized brand image.

The opportunities for such significant takeovers in the world auto industry are dwindling. Most of the smaller players have been swallowed up, and BMW has had to move fast to ensure that it was not left on the starting grid.

With the marketplace fragmenting, BMW has accepted that it must move into new segments to add to its niche of high-performance executive and luxury cars. It could have continued to go it alone and develop the necessary products itself, but that would have taken time and would have been expensive.

Instead, it has chosen the riskier fast track of acquisition. Even before the dust has settled over the wreckage of the attempted Renault/Volvo merger, which collapsed in December, BMW has stepped forward with its £200m purchase of British Aerospace's 80 per cent stake in Rover and Land Rover, the last UK-owned, medium-sized vehicle maker.

Honda could hardly have been reassured by the mollifying words yesterday of Mr Bernd Pischetsrieder, BMW management board chairman, who said that he wanted the Honda/Rover relationship to continue.

In the short term that must be so: the links between Rover and Honda are too close to be unpicked overnight, but in the longer term there is a new master in the Rover house, and Honda is left with its European strategy in tatters.

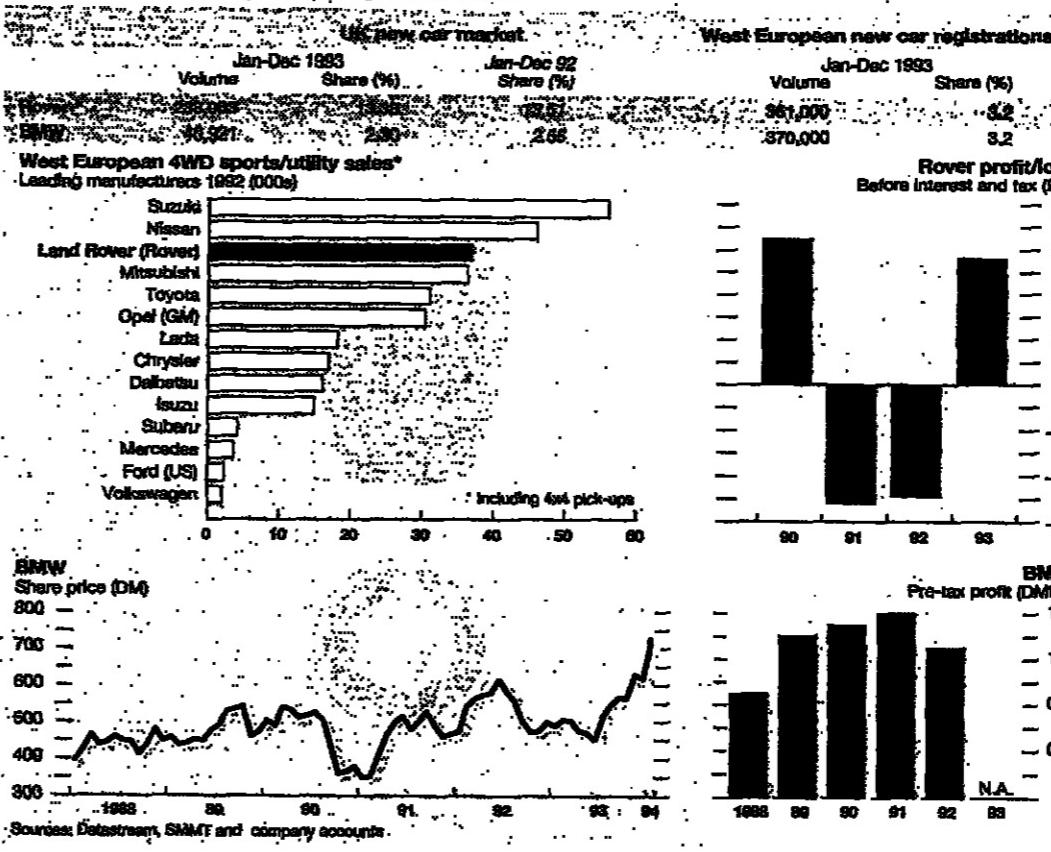
Land Rover's fortunes have been blossoming in recent years and it is undoubtedly the main centre of excellence in Europe for sport utility with an unrivalled brand image. With the Range Rover it has developed alone the luxury end of the market, and the launch of the higher-volume Discovery at the end of the 1980s has provided it with a mainstream world competitor.

Rover is poised to launch the Discovery shortly in the US, where it is expected to quadruple overall Land Rover sales volumes there. Access to the much stronger

BMW's acquisition of Rover Group will realign the world auto industry and has benefits for both, says Kevin Done

A sudden burst of acceleration

BMW drives away with a prize catch



Sources: Datastream, SMATI and company accounts.

opened a vehicle concept for a sport/utility that it could have brought to market in about three years, but the takeover of Land Rover placed it immediately in the forefront of the sector.

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This is where the BMW deal breaks new ground. It is willing to take on the car operations as well. BMW has studied intensively in recent years how it should take account of the increasing trend towards the use of smaller cars, especially in densely populated and congested urban areas.

Almost in step with Mercedes-Benz, it has presented concept studies for a future small car at the world's leading motor shows in the past two years. The design exercises were to assess whether the two luxury/executive carmakers could risk going downmarket into small cars.

The answers are now clear: for Mercedes-Benz, yes, but for BMW, a resounding no, at least under its own name.

Mercedes-Benz has decided recently to build its own small car for sale under the Mercedes star. The car will be built at a volume of at least 200,000 a year - at least that is Mercedes-Benz's aspiration - at a plant in Germany. The size of the concept car was smaller than a Ford Fiesta, but in the marketplace the small car will carry the Mercedes name and compete at Volkswagen Golf prices.

As of yesterday it became official that BMW will not build a small car for sale under the BMW badge. Rover in the UK and the Rover brand will become its centre for small car development. This would ensure BMW a presence in this market place but would not put at risk the BMW brandname, said Mr Pischetsrieder, BMW management board chairman yesterday.

"There will be no smaller BMW car than the 3-Series," he said. "You must not over-stretch the core brand values of BMW. A small Land Rover is a world leader."

BMW would not comply with the hard core BMW image, that we have worked for 20 years to achieve."

Mr Pischetsrieder declared that he had told Mr Helmut Werner, chief executive of Mercedes-Benz, that the Stuttgart group was misguided with its small car strategy.

"I told Werner he was wrong. Clearly he does not think so."

Instead BMW is now intent on developing Rover as its marker of small and medium-sized front-wheel-drive cars. All BMW's existing executive and luxury cars are rear-wheel-drive cars. With the takeover of Rover it buys in front-wheel-drive technology and, crucially, it also buys in one of the most competitive small engines in Europe in the shape of Rover's K-Series engine.

Rover has a new master, and Honda, the UK carmaker's long-time partner, is left with its European strategy in tatters

Mr Pischetsrieder was at pains to insist that under BMW rule Rover will continue its present car lines but with increased resources and with the potential for creating new car ranges. These include a replacement for the 30-year-old Mini, which has never featured in Rover's own range.

BMW wanted, too, to promote the development of some of the Rover Group's old British makes that had fallen on hard times, said Mr Pischetsrieder.

Top of the list is the plan for the reintroduction of the MG sports car marque. Rover has a small affordable MG roadster under development for launch in 1995-96, but under BMW management this programme is expected to be given extra momentum.

Even before the Rover takeover

BMW had earmarked sports cars as a niche for accelerated development.

Yesterday, top BMW executives confirmed industry speculation that the "secret" car it planned to build in the US at its new plant in South Carolina would also be a small roadster.

Mr Pischetsrieder said that for future products there would clearly be potential for the sharing of components between their planned sports cars.

He promised that no Rover cars would be built in Germany and that no BMWs would be built in the UK.

While dealer networks would not be merged, the distribution systems would eventually be merged, said Mr Pischetsrieder, with common logistics and parts supply. Single dealers may sell both marques but from separate showrooms.

Certainly, for Rover, access to the BMW dealer network in Germany will give its fortunes a massive boost in a tough market.

The big success of Rover management in the past seven years has been to rescue the old British Leyland car operations from the threat of extinction and create a viable business based on the relationship with Honda.

Under BAe's long-term ownership was always uncertain, however. Honda provided the crutch during the long recovery from intensive care, but BMW can provide the long-term home it has long needed in the hostile environment of the world auto industry.

OBSERVER

Sheila's punch-up

■ Britain has had one and so has Canada. Could a traditionally male preserve like Australia be the next English-speaking country to flirt with the idea of a woman as prime minister? True, Australia's elections are not due until 1995 but women have become hot political properties down under.

Carmen Lawrence, former premier of Western Australia, threw her hat in the ring yesterday. She is quitting state politics and wants to take over the relatively safe federal seat of Fremantle being vacated by John Dawkins, 46, the former treasurer. She is already tipped for a job in the government.

Lawrence has been urged to make the transition by Prime Minister Paul Keating's advisers, increasingly concerned at the growing popularity of Bronwyn Bishop, an ambitious Liberal party senator from Sydney's North Shore, recently promoted to the opposition's shadow cabinet. Bishop has a gift for offering non-sense commentary on the affairs of the day, causing fans and foes alike to draw comparisons with Britain's Baroness Thatcher and even Madam.

Nevertheless, she regularly outpools her colleagues. With the opposition in some disarray, "Bronnie" has been tipped to become its next leader. When

pressed to explain what she stands for, one old political hand could only mutter: "Naked ambition".

Penny wise?

■ The spirit of the Raj lives on. An elderly shareholder of Taggart, the juke manufacturing company which lost its London listing in 1990, objected vehemently to the use of the term "pee" to describe the currency of old England in a resolution being read to the annual meeting in London. "I don't like this word 'pee' - it's very disrespectful in the presence of the ladies," he said, urging the use of "the proper words".

It was duly re-read as "pence".

Dinner crumbs

■ Seemed a bit odd for the Corporation of London to invite the Lord Mayor of Frankfurt to last night's Mansion House dinner to celebrate the 25th anniversary dinner of British Invisibles.

After all, BA had tried its damnest to promote London's corner in world financial markets, yet Frankfurt has carried off the trophy of hosting the European Monetary Institute.

Not that Andreas Schaefer, the main foreign guest at the dinner, was bragging about Frankfurt's victory when Observer bumped into him. "London was, and is, and will be for hundreds of years the

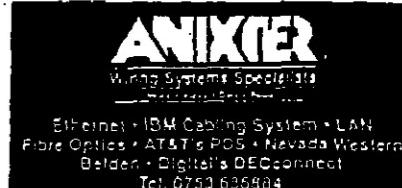
hiccup yesterday at London's High Court.

Cleveland and Avon county councils were seeking leave for a judicial review of the Local Government Commission's proposals for their areas. But as proceedings began, Mr Justice Harrison, due to hear the application, said he felt he should not, as he is a friend of Sir John Banham, the LGC's chairman, and has discussed local government reorganisation with him on numerous occasions. The next judge pencilled in, Mr Justice Pill, also stepped down, because of his role as vice-chairman of the Welsh Boundary Commission



FINANCIAL TIMES

Tuesday February 1 1994



Invesco Asset Management, Capel Cure Myers and Lehman Brothers agree £32m 'secrecy' deal MGN settles out of court with securities houses

By John Mason
and Norma Cohen

Mirror Group Newspapers' pension scheme has received £32m (£40m) from three securities houses in an out-of-court settlement of their legal dispute over assets lost in the Maxwell scandal, it was announced yesterday.

The last-minute agreement is the third in recent weeks in which financial institutions have agreed to return those assets to pension schemes formerly controlled by the late Mr Robert Maxwell.

It raises hopes that a large portion of the £40m missing from the schemes will eventually be returned.

The settlement, following a week of negotiations, avoided a complex High Court trial expected to last six months and consume several millions of pounds in legal fees.

The trial had been due to begin yesterday.

Invesco Asset Management and Capel Cure Myers of the UK, and US-based Lehman Brothers agreed to settle with the trustees.

but did not admit liability. All parties signed a secrecy agreement preventing publication of details of the three individual settlements.

It emerged later, however, that Lehman Brothers had paid the trustee £15m, Invesco £11m and Capel Cure Myers £5m.

Trustees of the Mirror Group pension scheme had filed a writ seeking £28.7m from the three securities firms, along with Bank of America and Credit Suisse. It later filed a writ seeking an additional £150m from the firms for damages.

Last month, Bank of America paid £25m into the pension scheme to settle claims against it. The case against Credit Suisse for most of the £31m outstanding is to come to court in October.

Invesco and Capel Cure Myers acted as fund managers for the Mirror Group scheme's assets before the death in November 1991 of Mr Maxwell, while Lehman Brothers received assets as security for stock lending transactions with some of Mr Maxwell's private companies.

The deal allows the pension scheme to receive £28m in cash from liquidators for Bishopsgate Investment Management, the Maxwell-owned fund management company, which handled the bulk of the combined Maxwell company pension scheme assets.

BIM had been in dispute with Invesco over ownership of a securities portfolio.

So far, the Mirror Group scheme has recovered £65m for pensioners. The sum will reduce the amount that Mirror Group Newspapers will have to pay into its pension scheme. In its interim results last summer, the group set aside roughly £174m to meet long-term pension liabilities.

Mr Colin Cornwall, chairman of the trustees, said the actual shortfall could not be determined until an actuarial valuation had been completed.

Earlier yesterday, Mr Kevin Maxwell and Mr Ian Maxwell, the late publisher's sons, and four other former senior employees of Mr Robert Maxwell all pleaded not guilty to criminal charges brought against them by the Serious Fraud Office.

Shares dive as Polish minister is sacked

By Christopher Bobinski
in Warsaw

Share prices fell sharply on the Warsaw stock exchange yesterday as investors reacted to the dismissal last Friday of Mr Stefan Kawalec, the minister of state.

Sentiment was also affected by weekend warnings from Mr Jerzy Ostrowski, finance minister in the last Solidarnosc government, that the stock market "bubble" was about to burst.

Shares of the recently privatised Bank Slaski led the declines, falling to a maximum permitted 10 per cent to 6.1m zloty (£280,000) yesterday. It was first quoted last week at 6.7m zloty, 13.5 times more than its public offer price.

High profits for early investors caused the political row which led to the dismissal of Mr Kawalec, deputy finance minister, and sparked off a power struggle between the governing Peasant party (PSL) and the Left Democratic Alliance (SLD) over control of banking and insurance.

Trading was heavy as most of the other 22 quoted companies also fell by up to 10 per cent, the daily limit.

Mr Waldemar Pawlak, the PSL prime minister, dismissed Mr Kawalec against the wishes of his finance minister, Mr Marek Borowski, who has demanded a written explanation. Mr Borowski, a member of the SLD, the largest party in the government, said he wanted to see a report from the official audit and control body before deciding Mr Kawalec's fate.

Mr Ostrowski, of the opposition Democratic Union, claimed at the weekend that the PSL was trying to gain control of the banking sector. "I think the prime minister is interested in having a say on the make-up of the state bank supervisory boards, which is where the jam is," he added.

Mr Kawalec, a professional economist highly regarded by foreign bankers, entered the finance ministry in 1989 with Mr Leszek Balcerowicz, a pioneer of Poland's free market reform. Opposition parties believe Mr Borowski is not so much interested in saving Mr Kawalec as in ensuring that the key banking post stays under SLD control.

Even five years ago the idea that Rover and BMW were complementary marques would have been laughable. Yet now BMW's purchase of Rover looks like a very smart deal. The Bavarian carmaker gets the four-wheel drive technology it lacks and the most famous off-road brand name in the world. Once Land and Range Rovers start selling through BMW's North American dealerships, the volumes generated should test the capacity of the Solihull plant. While the main Rover and BMW brands will be managed separately, savings in buying and development and the sharing of overheads in the distribution network should make Rover very attractive.

From British Aerospace's standpoint, the £200m sale price is higher than could have been achieved through a flotation. It also frees £200m of working capital which gives BAe plenty of options. The stronger balance sheet reinforces its position as a prime contractor in defence. Writing off around £200m of leases on its turbo-prop aircraft seems now almost certain, which will in turn will make it easier to find a joint venture partner for the business. Talks with Fokker on merging regional jet businesses could also get under way. Rationalisation of the defence business to increase margins so far not even mooted - becomes possible.

But for all the increased flexibility, did BAe get full value for Rover? The price of around 0.2 times sales is in line with the quoted price of many large carmakers, but no premium is being paid for control. Perhaps BAe might have kept a minority equity stake to get the benefit of any success Rover and BMW enjoy.

Still, the certainty of a deal done is worth a lot, as Vickers found out when it tried and failed to sell Rolls-Royce Motors. BAe's new management has made good use of the opportunities it has found for itself, so the flexibility should not be squandered. And at last we know why Mr George Simpson, Rover's chairman, decided to stay on at BAe for six months before taking the helm at Lucas in April.

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THE LEX COLUMN Rover unleashed

FT-SE Index: 3491.8 (+44.4)

Christian Salvesen

Share price relative to the FT-SE All-Share Index:



Source: FT Graphix

Equally Reuters eschews such accounting yardsticks as stated earnings per share or return on assets, which might be open to manipulation. Yet relative share price performance is also a natural indicator for a company with a habitual tendency to beat the index. Reuters has out-performed the FT-SE 100 by nearly 300 per cent since its flotation in 1984.

Indeed the scheme would have paid out maximum bonuses in five of the last six years. There may be no harm in that, since few investors will quibble with Reuters' impressive profit growth over that period. Less clear is whether its executives will be quite so happy when the company eventually stops growing, as it surely must. Its share price will hardly out-perform then, and the bonuses will diminish. But, as the supermarkets are now finding, that is also a time when management is really required to perform.

BSN

Branded consumer products companies face two chief challenges - to fight off hostile retailers and private label imitators in mature markets and to exploit growth opportunities in the developing world. On both fronts, BSN is making only patchy progress, as its 1993 results make clear. In Europe, which still accounts for more than 90 per cent of sales, BSN has been hit hard by recession. Operating margins have slid by almost one percentage point as BSN cut prices and increased promotional spending to defend market share.

But the Paris bourse has been seduced by BSN's recovery appeal, pushing its shares 16 per cent higher over the past two months. BSN's restructuring efforts should bear fruit this year and consumer spending can only recover. Like many other French companies, BSN has swallowed big provisions which will help the earnings upturn when it comes.

In the longer term, BSN aims to milk strong positions in EU markets to fund expansion in central Europe and the Far East. BSN's visionary chairman, Mr Antoine Riboud, promises to double its business in emerging markets every five years. But BSN is starting the game late from a comparatively low base and has its work cut out meshing its European acquisitions. Besides, there remain considerable doubts about who can succeed Mr Riboud and fulfil his dreams. At current ratings, both Nestle and Unilever look more certain bets.

Japanese market lifted by accord

Continued from Page 1

finance ministry insists an income tax cut and a sales tax increase should be decided in tandem, because it does not wish to raise government debt by issuing deficit bonds.

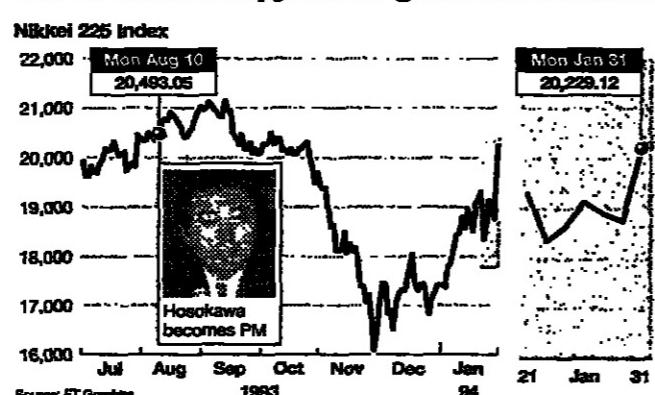
To add to the sensitivity of the dispute, the US is unwilling to see an early rise in consumption tax for fear this will neutralise the stimulus it wants for Japan's domestic economy.

Mr Hosokawa yesterday sided with the finance ministry and said the income tax cut and sales tax rise should be decided together. Coalition members will meet tomorrow to try to settle tax policy, to allow the package to be launched a day later.

Data released yesterday meanwhile painted a mixed picture of the Japanese economy. The construction ministry said housing starts in December rose 4.9 per cent from a year before.

The Ministry of International

The market's bumpy ride to government reform



Trade and Industry, on the other hand, said sales by wholesalers and retailers in 1993 fell 4 percentage points from the previous year, its second consecutive fall.

Domestic and overseas investors, who had earlier sold their holdings because of the apparent

failure last week by Mr Hosokawa to implement the political reform bill, yesterday rushed to place buy orders. "It isn't time to be cynical or cautious about the market or the economy," said Mr Geoffrey Barker at Baring Securities in Tokyo.

However neither Mr Simpson, who is soon to leave BAe to become chief executive of Lucas Industries of the UK, nor industry analysts last night expected the Fed would have to move before

Continued from Page 1

inflationary pressures had surfaced. "By the time inflation pressures are evident, many imbalances that are costly to rectify already developed, and only harsh monetary therapy can restore the financial stability necessary to sustain growth." However, he indicated that he saw few signs yet of nascent problems. Core consumer prices had risen 3.1 per cent between the fourth quarters of 1992 and 1993, the lowest since the early 1970s.

Depressions over the Atlantic will influence western Europe and, later this week, south-western sections with rain or showers. Wednesday will bring heavy rain to the British Isles accompanied by strong gale force southerly winds. High pressure over central Europe will build into eastern and south-east Europe later this week bringing calm and dry conditions with sunny spells and higher temperatures. Northern Europe will continue unsettled.

Five-day forecast

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Today's temperatures

Station at 12 GMT. Temperatures minimum for day. Forecasts by Meteo Consult of the Netherlands

Latest technology in flying: the A340

Rise in US rates forecast

Continued from Page 1

Mr David Obey, Democratic chairman of the committee, praised the Fed for helping to achieve non-inflationary growth but urged Mr Greenspan not to raise rates in the near future.

The betting among Wall Street economists is that the Fed will raise rates, currently 3 per cent, by 3/4 point in March or April.

Mr Greenspan warned that the

inflationary pressures are evident, many imbalances that are costly to rectify already developed, and only harsh monetary therapy can restore the financial stability necessary to sustain growth." However, he indicated that he saw few signs yet of nascent problems. Core consumer prices had risen 3.1 per cent between the fourth quarters of 1992 and 1993, the lowest since the early 1970s.

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The BMW Rover deal

Rover, the last hope for a viable British-owned motor industry, has enjoyed a remarkable resurgence. For nearly 15 years, Honda was Rover's partner in recovery. But yesterday Rover turned abruptly to BMW.

The last large British car maker becomes German, leaving Honda's European strategy in tatters

Rover ownership contentious to the end

By Tony Jackson

British Aerospace's ownership of Rover is proving contentious to the last. When the merger was first announced, six years ago today, the air was thick with accusations about state assets being sold for a song. Now, it seems, comes the proof.

BAA paid £150m and is getting £200m. It will book a profit of some £400m on the deal. Its shares rose 12 per cent yesterday. The UK car industry is being sold down the river, and the UK taxpayer loses again, charge critics of the deal.

Not at all, says BAA. It's totally unrealistic to draw a direct comparison between the £150m and the £200m". Mr Dick Evans, BAA chief executive said yesterday. "Our total investment is many, many times £150m."

The point is reiterated by Mr Richard Lapthorne, BAA's finance director. "I'm not sure we're ahead on the deal at all," he said yesterday. "It's quite difficult to get a handle on it. We invested the original money, then we had to pay back the sweeteners" - £57m which BAA had to repay the UK government "and then

we invested between £200m and £250m of capital expenditure a year. During that time, we got almost nothing out."

There is room for scepticism here. First, the £1bn-plus of capital expenditure was largely financed by Rover itself. Second, BAA extracted a large but unspecified amount of land and property from Rover over the years, and will hold on to it after the BMW deal goes through.

The cynic might say that Rover was merely parked with BAA by the UK government for six years, until its sale to a foreign owner became politically acceptable. In so far, Mr Lapthorne insists, BAA did no more than break even on the parking fee.

However, he adds, "we enjoyed living in a house with a posh car outside it. It made us look wealthier than we were." In other words, he says, Rover's assets inflated BAA's balance sheet. "With that assistance, we were able to carry through some quite difficult decisions."

The £200m profit due in the 1994 accounts, says Mr Lapthorne, is a pure book-keeping item. For the technically minded, it goes as follows. When Rover was acquired,

BAA wrote its assets up by £250m. Under new accounting rules governing disposals, this must now be written back as negative goodwill, giving rise to an £850m profit. But Rover is being sold for £450m below book value, so the resulting profit is only £100m.

But the benefits of the deal are by no means illusory, says Mr Lapthorne. "You have to get clear the distinction between book-keeping and banking." At present, BAA has a daily average of £200m debt on its balance sheet attributable to Rover, and another £700m off balance sheet built up in working capital. Add to that the £200m proceeds of the deal and BAA will save or receive interest on a total of £1.7bn. Thus, says Mr Lapthorne, his interest bill drops by £120m a year.

So what will BAA do with the difference? Mr Evans was coy about this yesterday, beyond saying BAA would use it to strengthen its defence and aerospace businesses. However, the general thinking is clear enough.

"Having cars and aerospace together is financially draft," Mr Lapthorne says. "Both of them are

financially intensive, and both need a strong balance sheet. That can be seen as a source of weakness if people know you can't afford to go both ways. Now, we can sit round any table in the world in the aerospace industry, and we're strong."

The inference is plain. In the defence business particularly, the up-front costs of development can be formidable, and not all customers can afford them. Now, BAA is in a position to offer more financial help to customers as a means of clinching the contract.

This also offers a clue to why BAA was so adamant that it wanted an assured exit route from Rover, and indeed why it was prepared to sell at a low point in the cycle. Financing stocks in the car industry is hugely expensive, even in a downturn. In an upturn it could become prohibitive.

"The problem would always be," says Mr Lapthorne, "that if the thing went marvellously well, would we have the clout to back it fully? And what if it coincided with something big in the rest of the business?"

But if BAA is now clear from its adventures in the car trade, it still has plenty of problems on its plate:

for instance, in its regional aircraft and turboprop businesses. In both, Mr Evans says yesterday, the aim is still to reduce BAA's involvement.

For many months, it has been struggling to clinch a deal with Taiwan on setting up a joint venture in regional aircraft production. "The ball is firmly in Taiwan's court," Mr Evans says. "If they want to do a deal, it will have to be on the basis of the existing agreement. Progressively, we'll have to talk to other parties, and I guess that eventually we'll have to talk to Fokker" (the Dutch manufacturer, now controlled by Deutsche Aerospace).

In both regional jets and turboprops, Mr Evans says, the aim is for BAA to end up with 20-25 per cent of world class businesses. Given that BAA is also a minority shareholder in the Airbus project, that leaves defence as its only wholly-owned activity.

In that respect, it bears a curious resemblance to Britain's other big defence contractor, GEC. There have been rumours of talks between the two, with Lord Weinstock of GEC reportedly keen to merge the two businesses and BAA reluctant.

Where do matters stand now?

"There is nothing going on at the moment," Mr Evans says, "except that they're keen to buy our space business. But there are a lot of other areas where there are opportunities and connections between us, both horizontal and vertical. The question is whether we should concentrate on horizontal links, which are much more manageable, rather than bringing two bloody great businesses together in a nuclear explosion."

That apart, BAA insists on the vital importance of yesterday's announcement. "It's pivotal," Mr Lapthorne says. "It gives us positive options," adds Mr Evans. "Before, everything was a first fight."

Before this is accepted uncritically, one nagging question remains. BAA has worked hard to return to its core in defence and aerospace, shedding businesses as diverse as cars, property development and civil engineering on the way. But those core businesses were what it started with a decade ago. Both markets have become progressively less attractive in the interim. If leaving them made sense then, what makes returning so wonderful now?

Honda's European strategy wrecked

HONDA DITCHED
By Paul Abrahams
and John Griffiths

Honda's long-term European strategy yesterday lay in tatters. The group's bruised management admitted its chances of being able to develop further its 15-year relationship with Rover appeared remote.

But while Mr Shojiro Miyake, president of Honda Motor Europe, said yesterday that it was "too early" to make decisions about future strategy - requiring also talks with BMW - commercial realities make it highly unlikely that it would seek to pull the plug on the ongoing collaborative projects with Rover.

Most important of this is a replacement for the current Honda Concerto and Rover 200/400 models, expected in 1995.

Even at this relatively late stage, Honda indicated yesterday that it could "go it alone" if necessary and build its version at Swindon without supplies from Rover, which will build its version separately at Longbridge. But at a time when Honda itself is under fierce financial pressures, it would make no commercial sense for it to forego the economies of scale arising from Rover's supply of body panels for it and the Honda Accord also being built at Swindon.

The belief of Mr George Simpson, Rover chairman - shortly to depart to become chief executive of Lucas Industries - is that collaboration will be wound down gradually, a process likely to take up to 10 years.

All sides accept that a period of tension is now an inevitability. But BMW yesterday was giving every sign that, for its part, it had no wish to change any of the projects currently under way.

The speed at which Honda's strategy unravelled left managers at its headquarters Tokyo's fashionable Aoyama district clearly bewildered and resentful.

Mr Kiyoshi Ikemi, adviser to Honda's president, Mr Nobuhiko Kawamoto, explained: "We did not want to make Rover Japanese. We wanted to increase Rover's Roverness. We wanted it to be more British - that was the way the collaboration would work best."

Although Honda management yesterday did not talk about betrayal, the company dryly commented that successful partnerships should be based on trust as well as synergy.

"Now our partner has been acquired by competitor we must start to reassess our entire operations in Europe," said Mr Ikemi.

"Mr Kawamoto has made it quite clear that he has no intention of collaborating with BMW in the UK. We did not want to collaborate with Rover through BMW. Such a collaboration was not called for - we had nothing to gain from it," he said.

Although nothing had been decided, it would be wrong to jump to the conclusion that Honda would break its existing agreements with Rover, said Mr Ikemi.

The collapse of Honda's European alliance could not have come at a worse time for the company. Management attention was already fully focused on problems in the domestic and US markets.

Whatever European strategy Honda adopts, it will take far more time to draw up than it took for the previous one to unravel.

A quick route into new market segments

BMW ATTACKS
By Christopher Parkes

BMW has chosen the short route - and the cheapest - to fulfil its long-term aim of expanding its core car business into new market segments.

As Mr Volker Doppelfeld, finance director, explained yesterday, the long route would be to move step by step from its upmarket saloon-based range.

In the event, the £200m bill for Rover is the amount the German carmaker would normally spend on developing a single new model.

Included in the price, he added, were 17 brands, including the Land-Rover, Range Rover, and derivatives which came equipped with "the most interesting, the best, and the most heritage in off-the-road vehicles".

"It was our aim for a long time to move into new business segments and new markets. This agreement paves the way for the next 20 or 30 years of BMW's development," Mr Doppelfeld said.

BMW officials claimed that much of their company's current success stemmed from careful attention to its North American distributorships.

There were also distinct possibilities for returning the British group's cars to the long abandoned US market.

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Meanwhile, the Rover 800

As a first step, the purchase will double the group's 3 per cent share of the European car market. Both companies were bound to benefit from cross fertilisation of ideas and improved market penetration.

While Rover was the only important European vehicle maker to increase sales last year, only 11,000 of its cars were registered in Germany, Mr Doppelfeld said. And of 70,000 off-the-road vehicles sold, only 1,300 were bought by Germans.

Although BMW officials stressed that managements, development programmes and sales networks would be kept separate, there were obvious gains to be made from selling the Range Rover and other four-wheel drive vehicles through BMW's domestic distribution chain.

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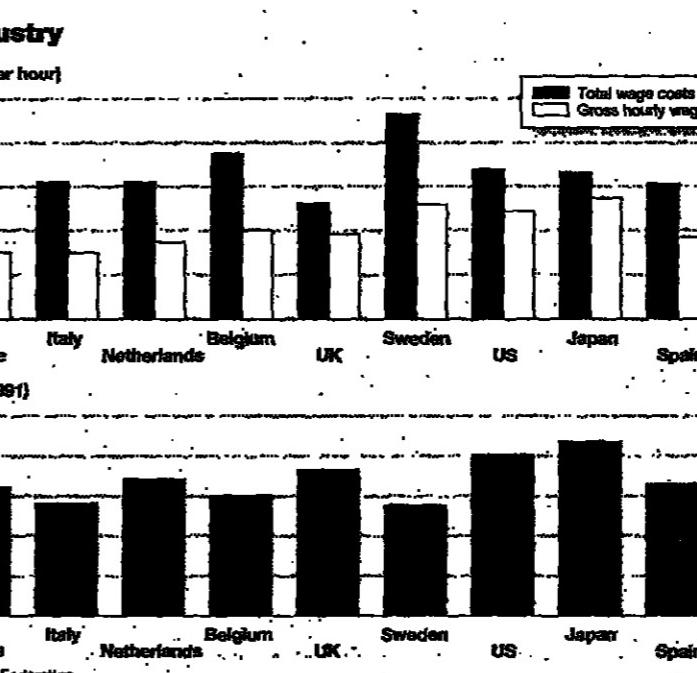
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class overlapped neatly with the bottom of BMW's current range.

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independence was the secret of both companies' success.

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The BMW Rover deal

Foothold in a low-cost manufacturing base

GERMAN MESSAGE

By David Marsh

High up in the company's cylindrical tower block on the outskirts of Munich a few months ago, a BMW board member gazed wistfully in the direction of the Czech border. "They work there for a whole day for the wages we pay a German worker for one hour," adding that BMW's largest challenge was to reduce costs.

An important aspect of the Rover takeover is that it gives BMW a high-level industrial foothold in a country now generally recognised as one of western Europe's lowest-cost manufacturing bases.

The deal extends a long list of German investments in Britain in recent years - underlining Britain's accelerated economic integration with the rest of the Continent.

The sale of a prestigious manufacturing name will be labelled by some British industrialists as an unsatisfactory "sell-out" to foreign interests. Negative effects on employment would certainly result from any transfer abroad of headquarters' functions such as marketing and development activities. However, the deal marks further public recognition by a large German company that the UK is an effective place to do business - a step that should be positive for jobs and investment.

The deal sends a message to German workers about the need to keep costs down as German motor and engineering groups signal their desire to shift some production abroad.

Coincidentally, the takeover was announced on a day of warning strikes by the IG Metall trade union to press home demands for a pay rise of up to 6 per cent. One German invest-

ment banker said yesterday the acquisition would provide BMW with a "useful yardstick" to help press for more streamlined and lower-cost production at home. He said BMW could now effectively pit its workers into competition with Rover employees on productivity and quality standards.

According to the German-British Chamber of Commerce, the value of German investments in the UK rose to DM26.1bn at the end of 1992 compared with DM22.1bn at end-1990 and only DM8.7bn at end-1985. British investments in west Germany have risen far more slowly, to DM13.6bn at end-1992 against DM10.7bn at end-1985.

A survey by the chamber at the beginning of the 1990s cited good labour relations and high productivity as main factors encouraging German companies to boost UK investments. At current exchange rates,

British manufacturing wages are 65 to 75 per cent of German levels, although the differential can be smaller in high technology sectors such as chemicals. More importantly, British non-wage charges - primarily social security levies - are only about 40 per cent of wage costs, compared with 55 to 100 per cent in Germany.

Heading the league table of German takeovers in the UK have been the acquisitions in 1989 by Deutsche Bank of Morgan Grenfell, which cost £250m, and by Siemens and GEC of Plessey, valued at £2bn.

Although German groups have largely been satisfied with their UK experiences, not all German takeovers have been success stories. In the late 1980s, Hochfach, the construction group, bought a 25 per cent stake in Rush & Toppkins, but the deal turned sour when the UK contractor went into receivership in 1990.

German investments in the UK

	Number employed	Line of business	Where based	Value of investments in UK operations
Siemens	About 10,000	Electrical/Electronic Engineering from chips to power stations	HQ Bracknell	Takeover of Plessey with GEC in 1989 cost £2bn
Hochfach	5,054	Chemicals/Pharmaceuticals Polymers/Agro Chemicals Colour/Building Products	HO Hounslow located throughout the UK	£80m in 1992 for Hochfach UK Group only. Doesn't include some of their bigger companies eg Bosch
BASF	1,800	Chemicals, Pharmaceuticals, Plastics	HO Wembley	N/A
Bosch	2,100	Alternators, heating equipment	Cardiff Worcester	£100m invested in Cardiff
Deutsche Bank	About 600	Investment and commercial banking	London	N/A
Wekindtler	About 650	Manufacturer of electrical and electronic components	Sheerness	New investment of £3-7m per year
Mercedes-Benz	850	Sales, marketing and after sales service for trucks and cars	Bromley, Hanwell & Milton Keynes	£35m
Wells	830	Manufacture, sales and marketing Basingstoke and South Wales	Basingstoke and South Wales	£3m fixed assets net book value
Unilever	2,000	Manufacture of fork lift trucks, refrigeration and industrial gases	Basingstoke, Abingdon and Redditch	£15m factory Basingstoke £10m invested in other companies in the UK
Continental	283	Tyre sales and marketing	West Drayton	N/A
Bayer	Group 2,800 Bayer 1,700 Agris 700 Others 400	Chemicals and plastics, pharmaceuticals, diagnostic products, film and other imaging products, allergenic products	Newbury, Basingstoke Fixed assets: Approximately £60m Brentford, Altrincham, Selby, Grimsby, Bridgend, Bury St Edmunds, Burgess Hill	Approximately £130m
Schering	1,975	Pharmaceuticals, Agro chemicals Industrial chemicals	Hartlepool and Chesterfield Park, nr Cambridge, Stapleford nr Nottingham, Widnes, Burgess Hill	Approximately £130m

Suppliers adopt relaxed stance

SUPPLIERS' OPPORTUNITY

By Paul Cheeseright and John Griffiths

The bigger players in the UK motor components industry were taking a relaxed view of the takeover last night.

Companies like T&N and Lucas have a manufacturing presence in most car-producing nations of what has become a global industry.

Mr Colin Hope, T&N's chairman and a past president of the Society of Motor Manufacturers and Traders, said: "As a first-tier supplier, with plants in both countries, we have always assumed that a continuing rationalisation of the car industry would take place."

However, the deal was seen as enhancing the prospects of smaller UK-based suppliers which do not have any significant overseas presence.

Many such suppliers have improved their efficiency and productivity as a result of their links with best-practice Japanese "transplant" car factories in the UK.

This, coupled with low labour and other costs in the UK, compared with Germany, is likely to prompt BMW to scour the UK more rigorously for cheaper alternatives to German parts.

So far, however, BMW has been slower than other German car makers to increase components purchases in the UK.

Whereas Volkswagen expects to spend about £400m on UK components this year - double 1992 levels - there has been little increase in BMW's 1992 total UK spend of some £120m - a figure that includes purchase of all goods and services.

Mr Graham Perkins, motor industry specialist at Coopers & Lybrand, the accountant, noted that "already UK suppliers are being inundated with German estimate requests".

With cost considerations pushing the German car manufacturers to widen their sources of components, Mr Joe Gormezano of Knibb, Gormezano, the motor industry consultants, said: "Going in with Rover will give BMW access to a number of component suppliers".

Against such a background, there are two niggling fears. First, that BMW might use its new position as an opportunity to help their established German suppliers, desperate for work.

Second, that BMW might take back to Germany the research and development work Rover is doing with its systems suppliers.



The passing of a British institution: a Morris Minor drives past the Rover plant at Cowley, Oxford, where workers on the factory floor expressed some enthusiasm for the deal.

Emotion versus analysis

MIDLANDS PRIDE

By Paul Cheeseright

Emotion went one way and commercial analysis another as Rover, the icon of West Midlands industry, slid into German hands yesterday.

The change in ownership struck different chords throughout the region but nowhere was it a matter of indifference.

The proportion of the regional workforce engaged in manufacturing remains higher than the national average. "One in six jobs is dependent on the vehicles and vehicle components sector, and Rover is the largest single player in that," said Mr Chris Tillett,

economist at Coopers & Lybrand, the accountant.

At its Longbridge car plant and at its Solihull Land-Rover and Range Rover plant, the group employs 22,000 out of its total workforce of 33,000. Also, Rover is spending £2bn a year on components. "The group is heavily tied into local suppliers," noted Mr Tillett.

"It is leading the West Midlands out of recession," according to Mr John Gunn, director of the regional Confederation of British Industry.

"It has come to symbolise the recovery of West Midlands industry with its attention to quality and paying attention to what the customer wants."

Yet Rover's role as a source of jobs has diminished. Even after the convulsions in the

group during the late 1970s and the early 1980s, it had, in 1984, a payroll of £60,000. Since Rover and its predecessor companies account for a large slice of Midlands industrial and social history, its future is a matter not just of economic interest but of emotional concern.

Last Friday, at the annual banquet of the Birmingham Chamber of Commerce, mention of Rover's recovery in recent years drew the most animated response to any remark made in the speeches.

Yesterday, after the announcement, Radio WM, the BBC's local radio station, was hit by an avalanche of calls.

Mr Tony Butler, host of the station's morning show, said 30 calls had been broadcast. "At least half the calls were anti-

Rover and 85 to 90 per cent were against the sale." Callers suggested a Land-Rover management buy-out would be better. "There was a feeling British Aerospace had sold them short," said Mr Butler.

Chauvinism was at large, with evocations of the bombing of Longbridge. "I understand the emotional reaction - it's one we can all share, but I see more upside potential than downside," said Mr Bob Moore, chief executive of the Birmingham Chamber of Commerce.

"Anybody with red, white and blue in his heart will feel it's a pity," said Mr Joe Gormezano, of Knibb, Gormezano, the motor industry consultants. "But Rover is not viable on its own from a European point of view."

keeping the links with Honda. So the future looks rosy."

Mr Steve Pitchford, a senior operator for 25 years, was more equivocal. "I want to know more facts. But BMW is a good company which makes good models. The announcement could be for the best. As long as it keeps me in employment, I don't mind."

Yesterday, however, workers coming off shift at Rover's Solihull plant - home to Land-Rover production - did not appear as concerned as their union leaders.

Those prepared to comment expressed no hostility to the new holding company.

Mr Dale Clarke, a maintenance supervisor, described BMW's planned acquisition as "a good move forward for us." He said: "It's also good we're

keeping the links with Honda.

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Mr Steve Pitchford, a senior operator for 25 years, was more equivocal. "I want to know more facts. But BMW is a good company which makes good models. The announcement could be for the best. As long as it keeps me in employment, I don't mind."

That pragmatic approach was not universal. Mr John Doyle, an assembly fitter for 15 years, branded the deal "a bit of a sell-out. I think BMW is after this place; they're not interested in the cars."

Union negotiators are expect-

ed to seek comparable condi-

tions with workers at BMW's

Munich and Regensburg

plants, where working hours

and annual leave are more

favourable.

Unions seek jobs reassurance

WORKERS REACT

By Paul Cheeseright and Tim Burt

Union leaders yesterday sought reassurances from Rover that workers at the group's seven sites would not face cutbacks or involuntary redundancies following the BMW acquisition.

The deal, however, appeared to enjoy support from workers on the Rover factory floor in contrast to the more cautious approach of union leaders.

Rover directors, expected to address workforce meetings today, are also being urged to give undertakings that the deal will not mean plant closures.

Calls to protect working practices for more than 30,000

members of the TGWU general, AEEU engineering and MSF white-collar unions were led by the Trades Union Congress.

Mr John Monks, general secretary, said: "The TUC will be supporting the unions in Rover in securing real guarantees from BMW that jobs will not be threatened and that research and development and component supply will remain in the UK."

His comment followed warnings from the International Metalworkers Federation that BMW could try to impose new practices on Rover workers.

The Zurich-based federation, whose members include IG Metall, the union at BMW, said the company had good relations with its German workforce but had taken an anti-union stance in the US.

The federation's warning prompted calls for further safeguards from the AEEU, which represents some 6,000 Rover workers.

Mr John Allen, the union's chief negotiator at Rover, said: "Our first priority must be the workforce, and we would like some assurances as to long-term job security."

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He said: "It's also good we're

self-increasingly at odds with Margaret Thatcher after she became prime minister. She pointed out that the aid to BL represented £300 for every man, woman and child in the UK. She wanted the group broken up and sold off. Edwards moved out in 1982.

The management team he left behind were hamstrung by Thatcher's refusal to provide BL with more money. They sold Jaguar in 1984 via a stock market flotation (it was subsequently bought by Ford) but in 1986 Thatcher lost patience and sent in Graham Day, fresh from rationalising British Shipbuilders, to sort out BL.

Early on, Day came close to selling the whole business in two chunks to the two biggest US vehicle groups - trucks to General Motors and cars to Ford - but that fell through because Thatcher feared a political backlash.

Day continued to reshape the car business, cutting production to viable levels while moving the range upmarket with the help of Honda, now the dominant partner in the engineering-design co-operation arrangements.

BL was sliced up and sold off: trucks to DAF of the Netherlands; buses to a management group which sold on to Volvo of Sweden Unipart, the spare parts operations, to a group of financial institutions, and finally BL, renamed yet again Rover, to British Aerospace.

That controversial deal was heralded by Thatcher's government as one which kept Rover "British" by putting it safely into the hands of the UK's biggest engineering group.

UK motor industry: roads converge on Munich

By Ken Gooding

Three men in particular dominate the tortuous recent history of what has become the Rover Group: Donald Stokes, Michael Edwards and Graham Day.

Stokes, who started his working life as an apprentice at the Leyland truck company in the 1930s and rose to become its chairman, was persuaded in 1968 by Harold Wilson, the Labour prime minister, to run the British-owned vehicle industry.

Wilson's policy was to encourage the UK's chief strategic industries to become more internationally competitive via mergers and then to select the best management available to run them.

When the British Motor Corporation and Leyland merged in 1968, Stokes was responsible for a group making more than 1m vehicles a year, with 40 per cent of the UK new car market, 30 factories and about 200,000 employees.

BMC could trace its origins back to the early days of the motor industry; the first Rover it included Austin, Jaguar, Land Rover, MG, Morris, Standard, Triumph, and Wolseley.

Stokes made his reputation selling British trucks worldwide and he and his team were cut of their depth managing a huge business still suffering

from years of under-investment.

British Leyland also faced increasingly fierce competition as the UK began opening up to rival European manufacturers and had to deal with powerful trade unions which almost invariably used strikes to

resist any attempt to reform outdated working practices.

When the world motor industry was sent reeling by the oil supply crises, which started in 1973, British Leyland's finances were already fragile.

INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft in talks over Kollenschmidt sale

By David Waller in Stuttgart

Metallgesellschaft, the troubled German metals, mining and industrial group, is in talks with "at least two" potential buyers for its 47 per cent stake in Kollenschmidt, the vehicle components company which has been part of the group since the beginning of the century.

Mr Heinrich Binder, Kollenschmidt chief executive, said yesterday that a transaction could be concluded reasonably quickly although it was too early to comment on the identity of interested parties. He said it was likely that the buyer would purchase a further 4 per cent of the company's shares to obtain control.

Kollenschmidt has in recent years been a severe financial burden to its Frankfurt-based parent company, losing DM125m (\$80.2m) in the year to last September and DM90m

in 1991-92. Mr Kajo Neukirchen made it clear soon after he succeeded Mr Heinz Schimmelbusch as chief executive of Metallgesellschaft in December that the stakes in Kollenschmidt would be put up for sale.

Mr Binder said the company, which produces pistons, cylinder heads, oil pumps and other components used by vehicle makers, had broken even in the first quarter of the current financial year and was likely to in the year as a whole, despite poor market conditions. He predicted further improvements as rationalisation measures took effect, saying the company would make a profit in the next financial year.

The poor performance reflects the state of the German vehicle components sector where suppliers have been forced to bear the brunt of cost-cutting by the manufacturers as well as the impact of the strong D-Mark on exports.

Research shows fund managers still going for recovery stocks

By Norma Cohen,
Investments Correspondent

Britain's largest institutional fund managers still believe share prices do not reflect the full benefits of recovery, an analysis of their portfolios suggests.

Of the UK's 12 largest fund managers, who own 23 per cent of the domestic stock market, eight have purchased shares which they expect to benefit from a pick-up in consumer spending and increased economic activity, according to Citywatch, the research firm.

Citywatch compiled the data by analysing shareholding records of all the companies in the FT-Actuaries Index and identifying the end-investor behind the nominee company shown in the records. The stocks are categorised according to the new FT-A sectors.

While fund managers say the data are distorted when clients dictate the investment strategy, they concede the Citywatch figures are broadly accurate.

The data show that most fund managers are weighting their portfolios towards building and construction stocks, property, retailing, banking, leisure and hotels and media.

Cartmore has high concentrations in the building sector and has doubled the market average holding in engineering.

Mercury Asset Management appears even more positive about prospects for recovery. It has a much heavier than average holding in the building materials and hotels and leisure sectors, is modestly overweight - holding a larger percentage of its portfolio in a single sector than that sector accounts for within the FT-A index - in banks and is underweight in food retailing, considered a "defensive" sector.

However, some fund managers, PDMF in particular, believe share prices for so-called recovery stocks are already too high and reflect over-optimism about economic growth.

"We think the market is

overvalued and cyclical stocks tend to be more overvalued than most," said Mr Richard West, a director at PDMF, which is part of investment bank UBS Phillips and Drew.

"We have been selling cyclical stocks and investing in less favoured consumer sectors."

Citywatch's data show that PDMF is overweight in breweries, tobacco, chemicals and engineering.

Scottish Widows, the Edinburgh-based life insurer, reflects some of PDMF's bias, holding relatively low positions in the building sectors but high weightings in breweries and tobacco.

Mr Mark O'Hare, managing director at Citywatch, said that some fund managers' holdings in key sectors were distorted by a single large holding. For instance, he said, his research showed that MAM, 7.7 per cent owned by merchant bank SG Warburg, is most overweight in merchant banking stocks.

This was because MAM holds 20 per cent of all Warburg's shares, Mr O'Hare said.

Value boost for investors in Hungarian hotels group

By Nicholas Denton
in Budapest

Three US institutions which bought into Hungary's Danubius Hotels on Friday in Budapest's biggest stock-market transaction doubled the paper value of their investment yesterday as share prices leapt forward.

Kingdon Capital Market Corporation, Indian Harbor Holdings and an anonymous investment fund paid \$23.6m for 29 per cent of Danubius, the hotel and spa group, which is being privatised by the state property agency.

In hectic trading yesterday Danubius shares moved beyond the Ft1,000 transaction price to end the day on Ft2,300. However, Creditanstalt Securities, the lead manager to the deal, warned that in this volatile market the group's share price might ease.

The closing price values the US investors' shareholdings at \$60m and the whole of Danubius at \$178m, giving the hotel group the second highest market capitalisation of the 28 companies listed on the Budapest Stock Exchange. Danubius' performance helped push the BSE Index up 7.1 per cent to 9,342.

Danubius was originally earmarked for sale in Hungary's first privatisation programme in September 1990 but the recession in central eastern Europe forced its delay.

Analysts, who had been expecting around 280m, reduced their forecasts to between 270m-272m.

Mr Chris Masters, chief exec-

Crédit Local up 8.5% at FF1.29bn

By Alice Rawsthorn in Paris

Crédit Local de France (CLF), the specialist French banking group, yesterday reported an 8.5 per cent increase in net profits to FF1.29bn (\$210m) for 1993 from FF1.18bn in 1992 despite the general downturn in the French banking sector.

The French banks have had a tough time in the past two years due to the sluggish state of the credit market and the impact of the economic recession on corporate loans and property holdings. However,

CLF has remained unscathed due to its specialist niche in the local authority loans market.

Mr Pierre Richard, chairman, said that the group, which last summer became the first candidate for the Balladur government's privatisation programme when the state sold a 30.5 per cent tranche of its equity, managed to beat its original profit targets for last year.

Net banking income rose by 8.8 per cent to FF3.08bn in 1993 from FF2.83bn the previous year. However, operating costs increased by 14 per cent to FF6.65bn from FF5.74bn over the same period and gross operating profits rose by 5.5 per cent to FF2.32bn from FF2.18bn.

CLF is raising its dividend for 1993 to FF1.650 a share, which represents an increase of 17 per cent over 1992.

On the trading front CLF managed to raise the value of its total loans by 8 per cent to FF2.77bn during the year, partly due to an increase in new loans. Mr Richard said

that, despite the recession, French local authorities had maintained relatively high levels of investment.

However, CLF, which expanded rapidly during the late 1980s due to the impact of the socialist government's decentralisation policy that gave French local authorities greater power over expenditure,

is proceeding with its long-term policy of international expansion to reduce its reliance on the French market. The group last year opened a new business based in Madrid.

Profits warning cuts Christian Salvesen share price to 314p

By Andrew Bolger in London

Christian Salvesen shares fell 8p to 314p after the UK distribution, specialist hire and food services group issued a profits warning.

The Edinburgh-based group said Aggreko's cost base, cutting the US workforce of 360 by about 10 per cent. Sales were being refocused towards bigger, higher-value contracts such as the US Superbowl, for which Aggreko supplied the power at the weekend, and temperature control.

Salvesen said: "By contrast, the group's distribution businesses around the world, which comprise 45 per cent of sales, were below market expectations and slightly lower than the £74.8m (\$112.2m) reported last year."

Analysts, who had been expecting around 280m, reduced their forecasts to between 270m-272m.

Mr Masters said most of the problems were one-offs, but Aggreko faced continuing mar-

ket pressure in North America.

Mr Masters said steps have been taken to reduce Aggreko's cost base, cutting the US workforce of 360 by about 10 per cent. Sales were being refocused towards bigger, higher-value contracts such as the US Superbowl, for which Aggreko supplied the power at the weekend, and temperature control.

Salvesen said: "By contrast, the group's distribution businesses around the world, which comprise 45 per cent of sales, were below market expectations and slightly lower than the £74.8m (\$112.2m) reported last year."

Analysts, who had been expecting around 280m, reduced their forecasts to between 270m-272m.

Mr Masters said most of the problems were one-offs, but Aggreko faced continuing mar-

Fokker chief quits after boardroom row

By Ronald van de Krol
in Amsterdam

The chairman of Fokker, the Dutch aircraft manufacturer which is 51 per cent-owned by Deutsche Aerospace of Germany, has resigned after a board dispute over his plans for a 30 per cent reduction in the price of Fokker's aircraft.

Mr Erik Jan Nederkorn is to be replaced temporarily by Mr Reinder van Duinen, vice-chairman of the management board, until a new chairman drawn from outside the company can be found.

Fokker said Mr Nederkorn had resigned for personal reasons but declined to give details.

The cost-cutting plans, unveiled by Mr Nederkorn in late December, also called for the elimination of around 1,000 jobs. The plans met with opposition from fellow members of the management board as well as Dutch members of the supervisory board, who argued that the cuts were unnecessarily drastic.

Dasa, which is reported to have wanted even stiffer cuts, declined to use its majority on the supervisory board to back Mr Nederkorn in the face of Dutch opposition.

Mr Nederkorn's resignation is unexpected and ironic because he was the driving force behind last year's sale of Fokker to Dasa, a subsidiary of Daimler-Benz.

Following Mr Nederkorn's departure, the size of the management board is to be doubled to six members.

LVMH may seek control at Guerlain

By Alice Rawsthorn

LVMH, the world's largest luxury goods group, is considering taking full control of Guerlain, one of France's most famous fragrance houses, according to Mr Bernard Arnault, chairman.

Mr Arnault said in an interview with yesterday's *Les Echos*, the French financial newspaper, that LVMH planned to increase its minority stake in Guerlain as part of its plans to expand its luxury interests following last month's deal to restructure its cross-shareholding agreement

with Guinness, the UK drinks group.

LVMH, already one of the largest perfume companies with brands such as Christian Dior's Dune and Givenchy's Amarige, has held a 15 per cent stake in Guerlain since 1987. It is believed to have considered taking a larger holding at the time of the original acquisition, but finally decided against doing so.

However, Mr Arnault said he wanted to be "more than just a minority investor" in Guerlain. LVMH confirmed that the group did hope to raise its stake, but said it had not yet

begun negotiations with the Guerlain family which controls the remaining 85 per cent of the business.

Guerlain is one of France's oldest and most prestigious fragrance houses with annual sales of over FF2.2bn (\$330m). Its best known perfumes, Shalimar and Samsara, are among the top 20 best selling upmarket scents. The acquisition of Guerlain would make perfect sense for LVMH, which has thrived in the fragrance market by applying its marketing and distribution resources to a wide range of brand names.

NOTICE OF REDEMPTION TO THE HOLDERS OF

Enso International, N.V. (FSEA Blocker Energy International, N.V.)

8 1/4% Convertible Subordinated Debentures Due 1995

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of July 1, 1990 among Enso International, N.V. ("FSEA"), Blocker Energy International, N.V. ("the Company"), and IBM Schroder Bank & Trust Company, as Successor Trustee, the Company has elected to redeem all of its outstanding 8 1/4% Convertible Subordinated Debentures Due 1995 ("the Debentures") on March 15, 1994 (the "Redemption Date") at 100% of the principal amount thereof plus accrued interest to the Redemption Date of \$1,068,2083 per Debenture (the "Redemption Price").

The Debentures will no longer be deemed outstanding on and after the Redemption Date and interest will cease to accrue. On said date the Redemption Price will become due and payable on each of the Debentures called for redemption.

The Redemption Price will be paid upon presentation and surrender of the Debentures at the office of the following Paying Agents with all unmatured coupons appertaining thereto:

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New York, New York 10004

Pursuant to the terms of the Indenture, Holders may at any time to and including March 15, 1994, convert such Debentures or any portion of the principal thereof which is \$1,000 or a multiple of \$1,000 into common stock of the Company at the conversion price of \$1,068.2083 per Debenture, subject to adjustment to \$1,067.1486 per Debenture if the market price of the common stock for each \$1,000 principal amount of the Debenture surrendered for conversion. In order to exercise the conversion right, Holders must execute the Form of Conversion Notice printed on the reverse of the Debenture.

The method of delivery is at the option and risk of the holder, however, transmission by registered mail, properly insured, is suggested as a precaution against loss.

Any questions relating to this Notice of Redemption should be directed to the Customer Service Department of IBM Schroder Bank & Trust Company at (212) 858-3040.

Payout pursuant to the presentation of the Debentures for redemption within New York City, or other payment made within the United States, including a payment made by transfer to a United States dollar account in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 31% of the gross proceeds if a payee fails to provide the paying agent with an executed IRS Form W-9 in the case of a non-U.S. person or an executed IRS Form W-8 in the case of a U.S. person. Those holders who are required to provide their correct taxpayer identification number and who fail to do so may also be subject to an IRS penalty of U.S. \$60. Accordingly, please provide all appropriate certification when presenting the Debentures for payment, if applicable.

IBJ SCHRODER BANK & TRUST COMPANY as Successor Trustee

Dated: February 1, 1994

This announcement appears as a matter of record only.



PETROLERA ARGENTINA SAN JORGE S.A.

Buenos Aires, Argentina

US\$50,000,000

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INTERNATIONAL COMPANIES AND FINANCE

Record producers propose TV music video channel

By Martin Dickson
in New York

Four of the world's largest record companies – Warner Music, PolyGram, EMI Music and Sony Software – yesterday announced plans to launch a cable television music video channel in the US. It could provide the first serious competition to MTV Networks, the pop music service owned by US cable group Viacom.

The partners are thought to be considering launching local language services outside the US in some countries where MTV has been growing rapidly. MTV's programmes are broadcast in English.

The four companies, together with Ticketmaster, the US entertainment ticketing group, said they were forming a partnership to operate an advertiser-supported, 24-hour channel which would be offered as a basic cable service in the US and launched in the fourth quarter of this year.

They would seek additional

partners, including cable television operators. Warner Music is a subsidiary of Time Warner, the entertainment group which runs the second-largest cable television service in the US.

EMI Music belongs to Britain's Thorn EMI, while PolyGram is a subsidiary of Philips Electronics of Holland, and Sony Software is part of Japan's Sony group.

The four companies

launched a forerunner to the US service in Germany last month, in conjunction with Mr Frank Otto, a Hamburg radio executive. The German-language service, called VIVA, is in 90 per cent of the country's 12m cable homes.

The US venture could have a tough time wooing cable companies and advertisers away from MTV and its sister channel, VH-1, which is aimed at the baby boom generation.

MTV, which began operations in 1981, has built up a powerful brand name in North America – and increasingly around the world – with

an unpredictable, iconoclastic style and original programming which goes beyond the simple transmission of pop videos. It is received in 57m homes in the US.

The record companies yesterday gave few details of their programming plans, but indicated the channel would consist mainly of pop video transmissions, possibly accompanied by retailing of music-related merchandise.

The partners said they would continue to licence their own videos to other entities, which presumably means MTV will be assured a supply.

Bertelsmann, the West German record company, and Tele-Communications Inc, the largest cable system operator in the US, announced plans last September to launch a cable channel in the US which would allow viewers to choose the pop videos they want to watch, as well as buying music-related products from home. However, this idea may take a considerable time to reach the market.

Upjohn rises 6% to \$163.7m

By Richard Tomkins
in New York

Upjohn, the US pharmaceutical company which is trying to respond to series of patent expiries on some of its most important drugs, reported a 6 per cent increase in net income to \$163.7m in its fourth quarter.

The result left it with full-year net income 21 per cent ahead at \$322.4m, but the company said if all unusual items and the previous year's \$22.9m charge for accounting changes were excluded, net income from continuing operations would have been 5 per cent ahead at \$383m.

Mr Zabriskie acknowledged Upjohn was seeing the effects of the loss of US patent protection on several important products, but said it had limited the effects through careful planning of its generic strategy.

Rhône-Poulenc unit misses target

By John Riddings in Paris

Rhône-Poulenc Rorer, the pharmaceuticals division of Rhône-Poulenc, the French chemicals group, yesterday announced net profits of \$408.7m for last year, a fall of about 5 per cent compared with the \$428.2m reported in 1992.

Mr Robert Cawthorn, chairman and chief executive, said the results were "below what we had planned".

He said the environment facing the industry had been more difficult than expected, particularly in Germany and Italy, where pharmaceuticals companies have been hit by

government healthcare reforms and reduced prices.

Sales held fairly constant at \$4.02bn, while earnings per share slipped to \$2.96 from \$3.10.

Excluding exceptional items, earnings per share rose slightly to \$2.92 from \$2.82.

In spite of the fall in profits and earnings per share, Mr Cawthorn cited several encouraging factors.

He said sales growth in Japan, the US and France, the world's three largest pharmaceuticals markets, exceeded the market average. In the US, sales of both prescription and over-the-counter drugs posted double digit gains.

The company is developing products, such as Zagam, an antibiotic and Taxotere, an anti-cancer agent which was described as the company's number one research priority.

RPR said it was planning to file Taxotere for registration in North America, Japan and Europe in the third quarter of this year.

In the longer term, RPR said it was investing in new technologies, particularly in cell and gene therapy.

Mr Cawthorn said 1994 was a transitional year, which would see increased investment in new products and an increase in its cost-cutting efforts.

Xerox shares lifted by strong final term

By Patrick Harverson
in New York

Shares in Xerox rose sharply on Wall Street yesterday after the company announced net income from its core document processing business rose 9 per cent in the final quarter of 1993 to \$236m.

Although part of the growth was due to favourable movements in foreign exchange markets – Xerox said processing income was up only 5 per cent in the fourth quarter if the effect of foreign currency translation was excluded – the improvement cheered investors who until recently had been disappointed by the company's earnings performance.

By late morning, Xerox shares were up 34% at \$97.4, a 52-week high.

The company has been restructuring. Further job cuts are planned as part of the programme, aimed at reducing Xerox's payroll by 10,000 jobs, or 10 per cent over the next two years.

Xerox's solid final quarter took the company's full-year 1993 earnings from its document processing business to \$620m, up from \$562m in 1992. That gain was wiped out by a previously announced fourth-quarter charge of \$81.8m which was taken to cover the cost of a big restructuring programme and to settle a 1992 anti-trust lawsuit.

Revenue for the quarter was almost unchanged at \$4.2bn. For the year, revenue was static at \$14.6bn against \$14.7bn.

Mr Paul Allair, Xerox's chairman and chief executive, said that pre-charge profits were up over the year in spite of lower-than-expected revenue growth because of the company's restructuring.

During 1993, Xerox's worldwide document processing workforce was cut by 2,300. The reductions, combined with expense controls, helped improve the company's ratio of expenses-to-revenue ratio by 11 per cent.

RPR said it was planning to file Taxotere for registration in North America, Japan and Europe in the third quarter of this year.

In the longer term, RPR said it was investing in new technologies, particularly in cell and gene therapy.

Mr Dennis Weatherstone, chairman, yesterday indicated the bank would be engaged in China's capital raising efforts abroad. The US bank has participated in bond issues by Chinese institutions.

Dow Corning slips deeper into red

By Frank McGurk in New York

Dow Corning fell deeper into the red in the fourth quarter after taking a pre-tax charge of \$640m to cover the cost of litigation related to breast implants manufactured by the company.

The company, a 50:50 joint venture between Dow Chemical and Corning, yesterday announced a net loss of \$384m in the final three months of 1993, compared with \$5.5m in the year-earlier period.

Excluding the provision, which was disclosed earlier this month, net profits

improved by 48 per cent to \$30.8m, against an operating profit of \$20.9m in the final three months of 1992.

The special charge represents the company's best estimate of its potential costs under a proposed \$4.75bn settlement of thousands of lawsuits brought by women who claimed to be harmed by leaking implants.

Its total liability was estimated at \$1.24bn, but insurance payments were expected to reduce the figure by \$800m.

Dow Corning was once the world's largest manufacturer of breast implants. In 1992, the US Food and Drug Administra-

tion banned their use in cosmetic surgery amid mounting concern over their safety.

Its continuing operations remain on sound footing.

The company, a leading supplier of silicone used in the manufacture of aerospace, vehicle and construction products, showed a 7.9 per cent increase in revenues to \$212m in the quarter. Sales growth was particularly strong in the US, while some recovery was evident in Europe.

Mr Richard Hazleton, president and chief executive, said he was satisfied by the company's performance and credited a cost-control programme

began earlier in the year for the profits growth.

He said a highly competitive trading environment had limited the company's ability to recoup cost increases through higher prices, although prices were up modestly in the US.

For the full year, sales reached a record \$2.04bn, up 4.5 per cent from \$1.96bn in 1992, but the bottom line suffered from the impact of the breast-implant provision.

A net loss of \$287m in 1993 was set against a net deficit of \$72m a year earlier. Excluding special charges, net profits advanced 27.6 per cent to \$12m.

Lagardère launches Matra-Hachette offer

By David Buchan in Paris

Mr Jean-Luc Lagardère yesterday launched his long-awaited shares exchange offer to absorb Matra-Hachette, the publishing-to-magazine group, into his own Lagardère group.

Under the offer, which closes on March 12, holders of some 55m Matra-Hachette shares which are not already held by Mr Lagardère and his industrial and financial partners would receive Lagardère group shares on a one-for-one basis, plus a warrant convertible at a rate of five for two Lagardère shares.

The Lagardère group said it

would only go through with the share swap if it gained at least 65 per cent of Matra-Hachette's capital. At present it holds 37.6 per cent of Matra-Hachette's capital and 51.2 per cent of its voting rights.

Mr Lagardère said the deal was designed to merge Matra-Hachette, which represents 90 per cent of the Lagardère group assets, into a simpler and more transparent structure, and allow Matra-Hachette to grow without the constraint imposed by the Lagardère group's need to preserve its present controlling 51 per cent stake.

In fact, the issue of warrants

Trading in the two shares was suspended on yesterday's announcement, but on Friday Lagardère closed at FF163m and Matra-Hachette at FF165m.

Mr Lagardère compared Matra-Hachette to a "fast train" which he said would show nearly a doubling of earnings in 1993 to FF650m. But he liked his Lagardère group to a high-speed "TGV train".

"We are proposing that Matra-Hachette shareholders step on the TGV, and that not only will they suffer no risk and pay no extra charge but they will be rewarded in switching," he claimed.

GE Capital buys car leasing group

By Bernard Simon in Toronto

GE Capital, the US financial services group, has expanded its international fleet management business by acquiring Triathalon Leasing, Canada's biggest vehicle leasing company.

GE will pay C\$225m (US\$170m) for Triathalon, which is owned by Trilon, a holding company controlled by the Toronto branch of the Bronfman family.

The Triathalon sale is the latest in a string of divestitures over the past year by the hard-pressed Bronfman empire. Trilon said it would use the proceeds to repay debt, and expected to post a small gain on the deal.

Triathalon has 47,000 vehicles under lease or management to 1,600 corporate customers. GE Capital, wholly-owned by General Electric, has a large presence in Canada, with about 27,000 vehicles on its books.

The combined fleets will make up about 12 per cent of GE's worldwide business.

GE named Mr Rolf Ruegg as president of its enlarged Canadian operation. Mr Ruegg is general manager of Avis Fleet Services, GE's European vehicle-services arm.

• CT Financial Services, which owns Canada's biggest trust company, posted a 56 per cent gain in fourth-quarter net profits to C\$45m or 32 cents a share, but profit for all of 1993

Canadian pulp group cuts loss to C\$143m

By Robert Gibbons in Montreal

Canadian Pacific Forest Products, the pulp and paper group, reduced its operating loss to C\$143m (US\$109m) in 1993 from C\$190m in 1992.

After special items the loss widened to C\$285m or C\$4.88 a share, compared with a deficit of C\$245m or C\$4.82 in 1992.

Sales were little changed at C\$1.8bn.

The fourth-quarter loss was C\$160.5m after special items, against a loss of C\$69.5m a year earlier on sales little changed at C\$465m.

The group is spinning off its paperboard business into a new company, St Laurent Paperboard, with annual sales of more than C\$300m.

CPFP will get C\$240m from a recent financing in February.

• Dominion Textiles, a Canadian-based international textile producer, turned in net profit of C\$7.8m or 13 cents a share after special items in the six months ended December 31. This compared with C\$10m or 21 cents a year earlier, on sales of C\$624m, against C\$631m.

China bank plans overseas branches

The Agricultural Bank of China, one of the country's "big four" commercial banks, is to open branches in Hong Kong, New York and Singapore, writes Tony Walker in Beijing.

Mr Dennis Weatherstone, chairman, yesterday indicated the bank would be engaged in China's capital raising efforts abroad. The US bank has participated in bond issues by Chinese institutions.

its policy-lending responsibilities to a struggling rural sector.

The bank will be split into two institutions to be known as the Agricultural Bank and the Agricultural Development Bank. The latter will provide soft loans to farmers.

The Agricultural Bank will be expected to compete more

effectively in a commercial environment under new banking laws that are expected this year.

A Central Bank Law and Banking Law are aimed at defining more clearly the responsibilities of China's banks, and opening the way for further reforms of an antiquated banking sector.

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June 1993
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Espírito Santo Financial Holdings SA

2,650,000 American Depository Shares
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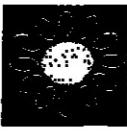
September 1993
US\$150,000,000



BNP
Banque Nationale
de Paris

Privatisation
22,504,493 Shares
Merrill Lynch & Co US Lead Manager

November 1993
Ptas 181,170,002,800



ARGENTARIA
Corporación Bancaria
de España

29,945,455 Shares of Common Stock
Merrill Lynch & Co Financial Advisor

July 1993
DM 216,600,000



ARBED
ARBED S.A.

2.50% Senior Convertible Notes
Merrill Lynch International Limited Lead Manager

September 1993
US\$1,420,000,000



Roche
Roche Holdings, Inc.

Liquid Yield Option Notes*
Merrill Lynch & Co Sole Manager

November 1993
US\$154,280,000



Bailey
Elsag Bailey

8,120,000 Common Shares
Merrill Lynch International Limited Lead Manager

July 1993
Ptas 7,104,000,000



Central Hispano
Banco Central
Hispanoamericano, S.A.

2,000,000 Ordinary Shares
Merrill Lynch International Limited Lead Manager

In 1993 Merrill Lynch helped clients in ten European countries raise over \$5,000,000,000 of equity or equity-linked capital.

November 1993
RAUTARUUKKI OY



34,822,410 Rights Representing the Right to Subscribe to 5,803,735 K-Shares
Merrill Lynch International Limited International Lead Manager

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COATS
VIYELLA
Coats Viyella plc

6 1/4% Senior Convertible Bonds
Merrill Lynch International Limited Lead Manager

October 1993
US\$144,000,000



GROUPE SCHNEIDER
Schneider S.A.

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US\$116,660,000



Credito Italiano

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INTERNATIONAL COMPANIES AND FINANCE

Bid battle for mining deposit in Argentina

By Bernard Simon in Toronto and Nikki Tait in Sydney

Two former allies in the international mining industry, both with links to Germany's Metallgesellschaft, have emerged as rivals in a hotly-contested bid for a rich copper-gold deposit in Argentina.

MIM Holdings of Australia signed an agreement in principle last weekend to participate in the development of the Bajo de la Alumbrera project, alongside International Musto Explorations, a small Vancouver-based group.

The Australian company said that negotiations towards a final agreement were "ongoing". It plans to pay US\$13m for a 50 per cent stake in the venture and would be the operator of the project. The deal is due to close around February 17.

MIM's announcement comes on the heels of a C\$332m (US\$251m) hostile bid by Toronto-based Metal Mining for all Musto's outstanding shares. Metal's offer is conditional, however, on Musto not signing a legally-binding joint venture agreement, or other arrangement to dispose of any substantial part of its 100 per cent interest in Alumbrera.

Metallgesellschaft (MG), MIM and Metal were the pillars of what was designed in the mid-1980s to be a powerful mining alliance. The three companies forged a close relationship, including cross-shareholdings, board directorships and joint ventures.

However, as the rivalry for control of Alumbrera shows, they have begun to move apart. Metal, which is 50.1 per cent owned by MG, recently sold its minority stake in MIM, and Mr Klaus Zeitler, Metal's chief executive officer, left the Australian company's board. MG is expected to dispose of its Metal shares as part of its financial restructuring. MIM retains a 3.5 per cent interest in MG.

Metal said that it would formally launch its tender offer this week. It maintains that a decision on the project should be taken by Musto's shareholders, not its management.

Avalanche of paper threatens investment in India

A flood of money has exposed faults in the antiquated stock settlement system, reports Stefan Wagstyl

The recent rush of foreign portfolio investment into India is threatening to overwhelm the backlog of paperwork in the country's primitive stock settlement system.

The investments, more than \$1bn, are generating so much paperwork that the Bombay-based foreign banks - which handle the transactions as custodians for foreign investors - are being buried in an avalanche of transfer forms, share certificates, cheques and revenue stamps.

Hongkong and Shanghai Banking Corporation has stopped servicing new customers - including clients who have already opened accounts but not yet used them - and asked existing customers to limit trading volumes. Citibank of the US, Hongkong Bank's main competitor, has stopped taking on new business.

Standard Chartered Bank, the third in the market, has only a small custody service in India - it says it has no backlog, but refuses to take on more work than it can handle.

The bankers' informal ban on new clients means that some

of the India country funds launched in recent weeks will be unable to invest until the backlog of paperwork is cleared - which could take three months, according to Hongkong Bank officials.

This is the world's largest paperchase, says Mr GC Dobby, Hongkong Bank's chief executive officer for India.

"The three banks are struggling to cope with a tidal wave of paper which threatens to overwhelm us." Some fund managers have postponed planned Indian investments until settlement procedures improve.

Few people in India were prepared for the flood of foreign funds. The government, which is orchestrating radical economic reforms, opened the stock market to foreign portfolio investment only in late 1992 and, since foreign fund management companies had to register before being permitted to trade, it was not until the middle of last year that the first were ready to invest. Accumulated foreign portfolio investment soared from under \$50m at the end of June 1993 to more

than \$1bn by the end of the year.

The Indian settlement system dates back to the Victorian era.

Procedures are designed for the country's millions of small private investors, some of them buying as few as 10 or 100 shares, not institutions wanting to buy 100,000.

None of this is unique to

India - scores of clerks work at desks piled with certificates and transfer deeds bound together with string, surrounded by tin boxes containing yet more certificates and deeds.

To help cope with work, the bank has rapidly expanded its custody staff from 30 at the end of October to 120 plus another 100 temporary clerks, working in two shifts six days a week. Citibank, with 70 people in custody services and Standard Chartered with 12 are also expanding.

All three are trying to streamline their procedures and to secure more vault space.

Foreign fund managers have generally avoided Indian banks because they lack experience in international custody work and often do not have the capital to meet minimum internationally acceptable standards for custody work. However, the State Bank of India, the country's largest commercial bank

- which does not meet the capital requirements - is preparing to enter the market.

In response to lobbying from the Hongkong Bank, the Indian

Rustenburg Platinum advances in half-year

By Matthew Curtin in Johannesburg

Rustenburg Platinum (Rusplat), the world's largest producer of platinum group metals, reported a 9.5 per cent advance in pre-tax profit to R184.7m (US\$54m) in the half-year to December 31 against R163.7m a year ago.

The flagship of the Johannesburg Consolidated Investment group's platinum division staved off sluggish metal prices by increasing platinum output by more than 3 per cent and cutting costs, with some help from the rand's loss in value against the US dollar.

However, the interim dividend is held at 62.5 cents a share. Mr Barry Davison, managing director, said the improvement in the period was off a low base and Rusplat would no more than match 1992-1993 distributable profit of R281.4m in the current year.

Mr Davison said the small recovery in intermetallic platinum and palladium prices to \$379 and \$128 an ounce from an average of \$365 and \$103 in 1992-1993 contrasted with the slide in rhodium and nickel prices. In the same periods, they averaged \$929 an ounce and \$2.19 a pound, against \$1.807 and \$2.84 respectively.

He said the balance of supply and demand in the platinum market would not justify any significant improvement in prices in 1994 without solid economic recovery in Europe and Japan where demand for platinum-based catalytic converters was affected by falling car sales.

Intalm net sales improved to R1.37bn from R1.35bn with cost of sales higher at R1.07bn compared with R1.05bn. A rise in total on-mine costs as output rose was mostly offset by lower refining costs associated with an increase in material being toll-refined on behalf of Rusplat's sister platinum mining companies.

Distributable profit stood at R133m against R110.1m after a gain in operating profit to R314.5m from R310.5m. Lebowa Platinum turned in pre-tax profit of R1.7m against a R0.4m loss.

Bangkok Bank climbs on higher fee income

By Victor Malet in Bangkok

Bangkok Bank, Thailand's largest bank, yesterday announced a 31.9 per cent rise in net profit to Bt13.90bn (\$546m) last year from Bt10.54bn in 1992.

Pre-tax profit increased 31.7 per cent to Bt21.35bn from Bt16.21bn, while assets rose 17 per cent to Bt782.87bn from Bt686.01bn.

Thailand's commercial banks have all profited from wide spreads between lending and deposit rates, but Bangkok Bank executives yesterday attributed much of last year's improvement to higher fee income from value-added services.

Bangs said that the sale, along with other recent disposals, had brought in cash of \$60m (US\$42m) so far in the current financial year.

rose 18 per cent to Bt325.06bn.

Some stockbrokers said the fourth-quarter results of the two banks were slightly below expectations. Thai Farmers Bank last week announced that its 1993 net profits had risen 52 per cent to Bt7.94bn, although the bank later disclosed that Bt1.5bn of that

came from the sale of shares in finance and securities companies; excluding share sales, TFB's net profit was up only 23 per cent.

Bangkok Bank's management was described by one stockbroker yesterday as "a little bit directionless" following the departure last month of Mr Vichit Suraphongchai, the bank's president.

Bangkok Bank is planning to issue \$400m to \$500m of convertible, 10-year Eurobonds, the largest such issue to date by a Thai company, in order to strengthen its capital base.

End of Month S.G. Warburg Warrant Valuations

as at 31st January, 1994

Single Stocks	TYPE	CURRENCY	SPOT	STRIKE	PRICE	EXPIRY
Hysan Development	Call	HKD	28.5	17.00	12.30	6th Sept 95
Saipem	Capped Call	ITL	3185	4246	336	30th Mar 95
Sip	Call	ITL	4354	3832	1296	14th Jan 96
Stet	Call	ITL	4723	4725	1012	14th Sep 95
Baskets						
European Airlines	Call	£	446	320	14.18	3rd Feb 95
UK Banks	Call	£	117	114.75	1.41	1st June 95
European Multi-Media	Call	£	2311	2046.33	4.26	28th Sep 95
UK Pharmaceuticals	Call	£	102	98.05	1.21	26th Jan 95
UK Water Companies	Call	£	110	104.75	1.43	5th May 95
European Steels	Call	DM	3424	2550	102	12th Jan 95
Indo-China	Call	USD	1.00	1.00	0.25	8th Dec 95
Indices						
FTSE Mid-250 Index	Call	£	4084	2900	12.02	18th Mar 94
FTSE Mid-250 Index	Call	£	4084	3200	9.05	18th Mar 94
FTSE Mid-250 Index	Call	£	4084	2900	12.08	17th Mar 95
FTSE Mid-250 Index	Call	£	4084	3470	7.22	17th Mar 95
FTSE Mid-250 Index	Call	£	4084	3670	5.79	17th Mar 95
FTSE Mid-250 Index	Call	£	4084	3900	4.27	17th Mar 95
FTSE Mid-250 Index	Call	£	4084	3945	5.49	17th Jan 96
FTSE Mid-250 Index	Put	£	4084	2900	0.05	18th Mar 94
FTSE Mid-250 Index	Put	£	4084	2600	0.05	18th Mar 94
FTSE Mid-250 Index	Put	£	4084	2900	0.05	17th Mar 95
FTSE Mid-250 Index	Put	£	4084	3470	0.78	17th Mar 95
FTSE Mid-250 Index	Put	£	4084	3270	0.41	17th Mar 95
FTSE Mid-250 Index	Put	£	4084	3900	1.80	17th Mar 95
Relative Performance						
Volvo/OMX	Call	SEK	13%	-10%	391	23rd Feb 95
Volvo/OMX	Call	SEK	13%	+/-0%	330	23rd Feb 95
Volvo/OMX	Call	SEK	13%	+10%	278	23rd Feb 95

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Rustenburg Platinum Holdings Limited Reg. No. 06/22452/06

Lebowa Platinum Mines Limited Reg. No. 63/06144/06

Potgietersrust Platinums Limited Reg. No. 01/08353/06

(All companies incorporated in the Republic of South Africa)

Highlights from the Interim Reports for the six months ended 31 December 1993 (Unaudited)

Rustenburg Platinum	1993 Rm	1992 Rm
Gross sales revenue	1,446.2	1,413.0
Profit before taxation	184.7	168.7
Distributable profit for period	133.0	110.1
Ordinary dividends	78.3	78.3
Capital expenditure	261.7	176.9
Earnings per share (cents)	106.1	87.9
Dividends per share (cents)	62.5	62.5

Lebowa Platinum	1993 Rm	1992 Rm
Gross sales revenue	66.2	66.1
Profit/(Loss) before taxation		

INTERNATIONAL CAPITAL MARKETS

Buyers move back into German bunds and futures

By Antonia Sharpe in London
and Frank McGurk
in New York

German government bonds and futures built on last Friday's gains yesterday as news of a further delay in the publication of the M3 data for December prompted buyers to move back into the market. The March bund future on Liffe traded at 100.53 in moderate volume in the late afternoon, up 0.16 points on the day.

The Bundesbank said that the data would not be ready until later this week due to technical difficulties caused by changes in their compilation.

Mr Klaus Baader, senior international economist at Lehman Brothers in London, said that the delay had lessened the impact of a poor December figure and was encouraging the

market to focus on the M3 data for January, which is expected to show an improvement.

The delay in the December number also prompted market participants to cast their bets on whether the Bundesbank would cut interest rates at its fortnightly council meeting on Thursday.

Dealers said that last week's favourable inflation data and the likelihood of weak industrial production data for the fourth quarter had raised hopes that the Bundesbank would cut rates by between a $\frac{1}{4}$ and $\frac{1}{2}$ point.

Some dealers said they believed that there was a 50 per cent to 70 per cent chance of a cut on Thursday. However, some economists said that the Bundesbank would be reluctant to cut rates during the current round of wage talks in Germany.

GOVERNMENT BONDS

S.C. Warburg Securities. He added that the recent media reports highlighting the competition in food prices gave further support to the favourable outlook for inflation.

The market also appeared to be more comfortable now that most of the unwanted supply from last week's gilt auction had found a home. Mr Juckes at

said. The March long gilt future on Liffe traded at 119% in the late afternoon, up 0.16 on the day.

■ UK government bonds rose by up to $\frac{1}{4}$ point at the long end as the release of a lower than expected M3 money supply figure for January revived hopes of an early cut in UK interest rates.

"The soft M3 number showed that the economy is moving ahead rather than flying away," said Mr Kit Juckes at

GOVERNMENT BONDS

S.C. Warburg Securities. He added that the recent media reports highlighting the competition in food prices gave further support to the favourable outlook for inflation.

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said. The March long gilt future on Liffe traded at 119% in the late afternoon, up 0.16 on the day.

■ Italian government bonds and futures held their ground as the market awaited the results of 10 and 30-year bond auctions which were released just after the market closed. The auction results showed net yields easing on both issues. The March Liffe contract rose 0.30 on the day to 118.75.

GOVERNMENT BONDS

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GOVERNMENT BONDS

casts for the overall size of the fiscal stimulus range from £14,000bn to £16,000bn.

The yield on the benchmark No 15 JGB rose by 10 basis points to 3.55 per cent at the close in Tokyo but fell back to 3.53 per cent in London. The March futures contract went as low as 112.74 in Tokyo before closing at 113.35, down 0.65 from Friday's closing level. However, it clawed back to 113.43 on the day.

Mr Adam Chester, international bond strategist at Yamaichi International in London, said he believed that the yield on the No 15 JGB would not breach 3.6 per cent since the market was now looking cheap.

In discussing the US economic outlook, Mr Greenspan stressed the difficulty facing the central bank in detecting latent inflationary pressures in time to contain them. Nevertheless, he emphasised

that monetary policy "must not over-stay accommodation" and reaffirmed his view that maintaining the confidence of the financial markets was crucial to lowering inflationary expectations.

The vigilant tone of his remarks brought modest improvement to the long end of the maturity range, which is most sensitive to the signs of higher inflation.

With traders pre-occupied by Mr Greenspan, the market showed little reaction when the Purchasing Management Association of Chicago said its January index of economic activity fell to an adjusted 53.6.

The regional slowdown may prove to be a preview of the trend indicated in the national purchasing managers' survey, which is due to be published today.

Triple-A derivatives vehicle for Lehman

By Tracy Corrigan

Lehman Brothers has set up a triple A-rated derivatives unit with an innovative structure designed to allay concerns about such vehicles and reduce the cost to the parent.

Half a dozen banks have so far established separately capitalised units for trading derivative products, in order to offer credit-sensitive clients a triple-A rated counterparty.

Unlike existing derivatives units, trades executed to hedge derivatives exposure will be contained within the Lehman vehicle. Lehman Brothers Financial Products (LBFP).

Mr Jim Vinci, managing director in charge of LBFP, said it seemed "unnatural" to separate the hedges from the swap book, so we decided to bring the hedges within the vehicle to make it more sustainable".

As a result, the rating agencies are accepting a lower level of collateral.

If the company runs into problems, a contingent manager will continue to run the existing swaps book. In some other structures, such as Salomon Brothers' Swapco, certain predetermined events trigger the termination of contracts.

This technically complex innovation could be replicated by other banks. "It could be grafted on to existing structures," said Mr Jeremy Gluck, a senior analyst at Moody's.

In 1993, Lehman Brothers executed a notional \$60bn of business on its global fixed income swaps book, about 38 per cent outside the US.

"We think that we will experience a substantial increase in business," said Mr Vinci. LBFP will initially have \$200m in capital.

Portugal launches Ecu750m global issue

By Connor Middelmann

Portugal yesterday launched the first ever global Ecu bond, which benefited from scarcity of 10-year supply in the Ecu market combined with strong investor appetite for sovereign global debt.

"The issue was oversubscribed - we sold out even before we issued invitations to co-managers," said one of the lead managers, reporting strong demand from European and US accounts.

The Republic of Portugal issued Ecu750m of global bonds due February 2004 via joint lead managers Dresdner Bank, Morgan Stanley International and Paribas Capital Markets. The bonds will be priced today at an indicated spread of 28-30 basis points over the 6 per cent Ecu OAT due 2004.

"Given the strong demand for the issue, I suspect that the

spread will be at the low end of that range," said one trader.

While many participants felt that the pricing was aggressive, they said it was justified by the scarcity of long-dated supply in Ecu sector. It is also hoped that the issue will breathe new life into the slowly reviving Ecu bond market.

INTERNATIONAL BONDS

According to Mr Manuel Pinho, director general at the Portuguese Treasury, favourable market conditions and Portugal's commitment to a single European currency prompted him to issue Ecu bonds.

Investor demand for the issue was further boosted by talk that it could be Portugal's last foray into the international bond market this year.

According to Mr Pinho, Portugal will not tap the Eurobond market as heavily this year as it did in 1993, when it issued three international bonds in yen, D-Marks and US dollars totalling the equivalent of \$2.1bn.

In 1994, it can borrow the equivalent of some \$2.2bn on the international market, but according to Mr Pinho, "our main priority now will be developing the domestic market - external borrowing will be marginal". Among other domestic market reforms, Portugal plans to abolish withholding tax on non-residents this year.

Elsewhere, Rabobank Nederland issued \$100m of the first foreign-exchange range floating-rate note via Samuel Montagu. The one-year notes pay a coupon of \$10-\$12bn this year, according to a Treasury statement.

Investors in 1994 would be in the major international currencies and would be fixed or floating rate, according to market requirements and investors' preferences, the Treasury said. In 1993, the Treasury returned to non-domestic mar-

kets after a two-year break and issued some \$12bn of Eurobonds, samurai bonds and dollar-denominated global bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fee %	Spread bp	Book runner
Council of Europe	100	(a)	100.00R	Feb 1995	undisc.	-	Salomon Brothers Int'l.
Rabobank Nederland	100	(b)	100.00R	Feb 1995	0.10R	-	J.P. Morgan Securities
Daimler-Benz N.H.America(c)	80	zero	99.80	Feb 1995	0.20R	-	-
D-MARKS	500	5.75	100.23	Feb 2004	2.50	-	Deutsche Bank
Deutsche Finance(Neth)d)	500	5.75	100.23	Feb 2004	2.50	-	-
FRENCH FRANCS	250	6.50	101.50R	Dec 2004	0.375R	+80 (51%)-04 CCF	Société Générale
Compagnie Financière(e)	400	zero	100.00	Feb 2002	-	-	-
St. Gobain Acceptance(f)	150	(g)	99.80R	Feb 2004	0.375R	-	Goldman Sachs Int'l.
GERMANIA DOLLARS	500	6.75	100.28R	Mar 2004	0.25R	+19 (51%)-04	Rabobank Nederland
Globe Group	500	6.75	100.28	Mar 2004	0.25R	+19 (51%)-04	SNS Bank Nederland
ECUS	750	(h)	100.30R	Feb 2004	0.30R	(h) (6%)-04	Dresdner/Mitnayl/Pearce
AUSTRALIAN DOLLARS	100	5.75	100.30R	Mar 1997	1.50	-	Hambros Bank
Toronto Dominion Australia	100	5.75	100.30	Mar 1997	1.50	-	-

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. * Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. (a) Interest only accrues on days DM1-800 and DM1-8000. The notes are in the following ranges: 1st 6 mths 0.4%-5%; 2nd 6 mths 0.5%-6%; 3rd 6 mths 0.6%-7%; min 50%. The issue was launched 4/1/94 and matures 4/1/2004. The coupon is 5.75% plus 0.25% above the 5-year GDR. (b) Coupon 5.75% plus 0.25% above the 5-year GDR. (c) Coupon 5.75% plus 0.25% above the 5-year GDR. (d) Coupon 5.75% plus 0.25% above the 5-year GDR. (e) Coupon 5.75% plus 0.25% above the 5-year GDR. (f) Coupon 5.75% plus 0.25% above the 5-year GDR. (g) Coupon 5.75% plus 0.25% above the 5-year GDR. (h) Coupon 5.75% plus 0.25% above the 5-year GDR.

Yesterdays' annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US \$, UK £, 100m in nominal.

Source: MMIS International

FT-ACTUARIES FIXED INTEREST INDICES

Price Index	Mon Jan 31	Days Change %	F1	Approved Interest	xd. act. ytd	— Low coupon yield —	— Medium coupon yield —	— High coupon yield —
UK Gilt	129.24	+0.02	129.21	1.25	5 yrs	5.05	5.05	5.97
Up to 5 years (2)	101.65	+0.12	101.62	1.38	10 yrs	6.43	6.50	6.53
Over 15 years (8)	128.87	+0.24	128.82	1.24	20 yrs	6.51	6.54	6.53
4 Intermediate (5)	122.58	+0.21	122.50	2.48	0.00	6.82	6.84	6.85
All stocks (51)	156.51	+0.11	156.54	1.45	1.85	-	-	-

Index terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. * Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. (a) Interest only accrues on days DM1-800 and DM1-8000. The notes are in the following ranges: 1st 6 mths 0.4%-5%; 2nd 6 mths 0.5%-6%; 3rd 6 mths 0.6%-7%; min 50%. The issue was launched 4/1/94 and matures 4/1/2004. The coupon is 5.75% plus 0.25% above the 5-year GDR. (b) Coupon 5.75% plus 0.25% above the 5-year GDR. (c) Coupon 5.75% plus 0.25% above the 5-year GDR. (d) Coupon 5.75% plus 0.25% above the 5-year GDR. (e) Coupon 5.75% plus 0.25% above the 5-year GDR. (f) Coupon 5.75% plus 0.25% above the 5-year GDR. (g) Coupon 5.75% plus 0.25% above the 5-year GDR. (h) Coupon 5.75% plus 0.25% above the 5-year GDR.

Yesterdays' annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US \$, UK £, 100m in nominal.

Source: MMIS International

FT FIXED INTEREST INDICES

Jan 31	Jan 28	Jan 26	Jan 25	Jan 24
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COMPANY NEWS: UK

Institutions study pay performance scheme for executives

Pioneering package from Reuters

By Andrew Bolger

Reuters, the international financial information and news group, is pioneering a form of executive remuneration which links rewards of senior executives directly to the group's future returns to shareholders.

The scheme is being studied by investment institutions and other FT-SE 100 companies, which must decide soon how to replace the executive share option schemes which many companies adopted 10 years ago following changes in UK tax law.

Institutions have made it clear they will support only share option schemes which are performance-related, but there is still widespread debate over which indicators best reflect executive achievement.

Reuters has decided that instead of conventional share options, it will offer senior executives a long-term incentive scheme, in addition to their basic salary and annual cash bonus.

The scheme yields benefits worth up to or more than

annual salary if Reuters' longer-term performance is rated good or outstanding, but nothing if it is inadequate. Performance is measured by comparing the cash return to a shareholder, including dividends, from investing in Reuters with that from other companies in the FT-SE 100, over three to five years.

Executives are awarded restricted shares at the beginning of the performance period, which are released at the end of five years, subject to performance criteria. No shares are released if Reuters is ranked in the last 25 companies, but all are released if it is in the top 40, with a graduated release between these two points.

The driving force behind the new approach is Sir Christopher Hogg, chairman of Reuters, who is one of the UK's most respected managers and an adviser to the Cadbury committee on corporate governance.

Sir Christopher said the main weakness in current share option schemes was that

they assumed a tight linkage between management performance and share price. This was fallacious, because other factors could be influential, and there could be time-lags between management actions and their impact on results.

He said: "Shareholders can, on occasion, feel that managers have been excessively rewarded by share option schemes. Managers, on the other hand, can view option schemes as a bit of a lottery and unfair as well in that background conditions can vary uncontrollably."

In particular, managers can do very well out of a strong stock market, even though their own company's results - and share price performance - may have been relatively poor. Conversely, an excellent set of company results may produce little or no stock option benefit if the stock market has fallen significantly during the option period.

Reuters considered measuring management performance by other criteria - such as

return on assets, cashflow or profit margins.

The chairman said: "The trouble is that they all measure past performance only - and that only in accounting terms. Furthermore, they are best measured as different parts of a total approach, since none of them provides a satisfactory total view."

"Earnings per share comes nearest, but is still limited in what it actually measures and is also open to material variation, both as between companies and from one period to another, by virtue of different accounting treatments."

Sir Christopher hoped the Reuters scheme - which initially covers 17 executives - would contribute to the looming UK debate on executive remuneration.

Boston Consultancy Group, the strategic management consultant which helped to develop the scheme, calculated the return from Reuters would have been in the top 40 of FT-SE 100 companies in five of the past six years.

See Lex

Interest income helps ML halve loss

By Peggy Hollinger

A sharp rise in interest income helped ML Laboratories, the pharmaceutical research company which recently won UK approval for its kidney drug Icodextrin, to halve pre-tax losses from £287,000 to £453,000 in the year to September 30.

Interest earnings on its £13.6m cash balances the product of £15.8m rights issue in 1992, pushed investment income up from £420,000 to £51.3m. Interest payable fell to £85,000 (£18,000).

The group said yesterday that it was at an advanced

stage in negotiations with international companies over marketing and distributing the renal dialysis drug which was approved in January. Mr Stuart Sim, finance director, said that in the event the negotiations failed, ML was running its own parallel distribution programme to about 100 renal units in the UK. ML was prepared to "go it alone" if it could not reach satisfactory arrangements with other companies, he said.

ML, which has not made an annual profit since its 1987 flotation, is expected to receive an income for the first time

this year from sales of the drug. It has applied for approval of Icodextrin in the rest of Europe and expects licensing by the middle of the year. Mr Sim said the group would then seek licences in the US and Japan.

ML estimates that there are about 500,000 dialysis patients worldwide, and that the market would grow by a compound annual rate of 9 per cent. In the past Mr Sim has estimated the market for Icodextrin - which makes it possible for patients to go longer between fluid changes and has fewer side effects than other drugs -

is about £487m a year. ML said it planned to apply for approval of its respiratory drug this year, and expected approval in 1995. However, discussions were already underway on a commercial distribution agreement and it was possible that an advance payment might be made as part of an agreement.

ML's sales, the result of consultancy work, rose from £604,000 to £223,000. Losses per share fell from 35p to 30p. There is no dividend.

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See Lex

By Gerard Baker

Mr Max Pearce, chief executive of Haynes Publishing Group, said that the company's profits for the six months to November 30 marked the near-completion of the turnaround in its fortunes following a difficult few years.

Pre-tax profits of the publisher of car and motorcycle maintenance manuals advanced 40 per cent from £1.5m to £2.11m pre-tax on turnover up 12 per cent at £11.4m, against £11.1m. Earnings per share rose from a restated 5.5p to 8.1p and the directors declared an interim dividend of 4p (2.3p restated for November's 1-for-3 scrip).

The improved profits performance derived equally from UK and US operations. The UK trading company saw operating profits rise 34 per cent to £1.1m on turnover up just 2 per cent to £2.47m. Mr Pearce said substantial efficiency gains and continuing retrenchment in loss-making general publishing activities had helped profitability. In the past three years the company's payroll has fallen by a third to 200.

US sales continued to grow and, at \$5.94m (£4.77m), now account for nearly half the company's total. Higher turnover represented both improved trading conditions and continuing gains in market share. US operating profits - at £1.6m

(£1.23m) - rose 13 per cent in dollar terms but were 30 per cent higher when measured in sterling owing to favourable exchange rate movements. Mr Pearce said that the completion in November of a new printing facility would yield further advances in the US.

The company's cash position also improved sharply. Borrowings were eliminated in August, having peaked at £5.2m in December 1990. By November 30 the company had £2.4m on deposit. Mr John Haynes, chairman, said the company's fortunes were closely linked to new car sales, and the recent upturn in the US and UK would further assist recovery. The shares closed down 8p at 49p.

Berisford shareholders give go-ahead for Magnet takeover

By Maggie Urry

Shareholders of Berisford International, the former commodity and property group, voted in favour of the £560m reverse takeover of Magnet, the kitchen and joinery manufacturer and retailer, at a special meeting yesterday.

The meeting also approved the increase in share capital necessary for the 1-for-2 rights issue at 120p which is financing the purchase.

Mr John Schater, chairman, said the acquisition was "an ideal first step in Berisford's growth strategy". He said it was "the best news" he had been able to announce since becoming chairman in 1990 and was the "first step in building a successful conglomerate".

One shareholder suggested the rights price was at too small a discount to the 120p suspension price. Mr Schater said that when the shares resumed trading - this morning - he had "a suspicion you may have a nice surprise". Brokers expect the shares to open

at a significant premium to the

suspension price.

The same shareholder was concerned that the move represented a diversification from Berisford's old core business. Mr Alan Bowkett, chief executive, said he was pleased to say that "no-one on our board has experience of the old core business". He said Berisford was "a new company going forward in a new business".

The EGM was preceded by the AGM, where Mr Schater said that trading was on budget. Kellon, the automotive components subsidiary had "just received a large inaugural order from Honda".

The recent earthquake in Los Angeles had not injured employees or damaged Berisford's property there. However, "it is clear there will be some disruption to business over the coming months".

See Lex

BTR said stockholders of Rexnord Corporation had overwhelmingly approved the merger agreement between Rexnord and BTR Dunlop Holdings. Of shares represented, 14.8m (99.9 per cent) were voted in favour of transaction.

FIRST PHILIPPINE Investment Trust: Fully diluted net asset value 91.8p (62.8p) at October 31. Net revenue for year £56.02 (£119.511) for earnings of 0.11p (0.24p) per share. Single dividend held at 0.2p.

GARTMORE AMERICAN Securities: Net asset value 62.6p per share at December 31. Net revenue for nine month period £986,000 for earnings of 2.34p.

Third interim dividend held at 1p.

HALKIN HOLDINGS has received valid acceptances to LGW offer in respect of 5.57m shares (98.5 per cent).

ML HOLDINGS' subsidiary, Schopf Maschinenbau, has paid DM1.7m cash (£650,000) for the stock and intellectual property rights relating to the aircraft ground support equipment business of Lüneburger Drahtwarenfabrik Dahms & Company of Lüneberg, Germany.

NOBO GROUP subsidiary, Elite Optics, has exercised its option to acquire the freehold of the property in Mid Glamorgan from which it operates.

Consideration is £862,500 cash.

WILLIS CORROON Group has acquired Guy Benefits, a Texas-based consulting firm, for a maximum \$720,000 (£480,000) cash.

See Lex

DIVIDENDS ANNOUNCED

Canadians buy part of Rutland drinks arm

By David Blackwell

Rutland Trust, the financial and business services group, yesterday sold part of Ben Shaw's, the Yorkshire soft drinks manufacturer, to Cott Corporation of Canada, the rapidly expanding North American soft drinks company.

Last week Cott entered the European market through a five-year agreement with Cadbury Schweppes under which



Michael Langdon: joining board of Cott UK

Cadbury bottling plants will produce drinks for a newly-formed Cott subsidiary in Europe.

Cott is the leading producer of the private-label colas which are making big inroads into the US market. It has grown rapidly by supplying North American supermarket chains such as Wal-Mart with own-label colas. Profits at the nine-month stage to end-October last year were more than doubled to £36.2m (£13.2m) on turnover that also more than doubled to £502m.

Mr Gerald Pearce, chief executive of Cott, said that the acquisition marked Cott's move into the UK market and was part of its wider strategy of developing into Europe.

The Canadian company is initially paying 26m for 51 per cent of Ben Shaw's Pontefract canning time operation, which had a turnover of £40m in the 11 months to the end of December last year.

Last August, Rutland paid 25.7m for 84 per cent of Ben Shaw's, a family-owned firm that ran into trouble through over ambitions expansion.

Mr Michael Langdon, chairman of Rutland, said Cott had the option to buy a further 3.5 per cent of the Pontefract operation in 12 months time for a minimum of a further £5m and a maximum of £7.5m, depending on 1994 earnings. Rutland would retain 17.5 per cent.

Mr Langdon, who is also chairman of Ben Shaw's and will be joining the board of Cott in the UK, said the company had rationalised its canning operations and aggressively pursued sales to the big UK supermarkets.

See Lex

NEWS IN BRIEF

Europa merger thrown into confusion

The proposed three-way merger between Europa Minerals, a small UK-quoted mining finance house, and two Australian groups with which it is already closely associated - Burnside and Australia Gold - was thrown into further confusion yesterday when the Supreme Court of Western Australia granted an injunction preventing the formal offer being made until at least February 9, writes Kenneth Gooding.

Mount Edon, another small Australian gold producer which has made a counter offer to Burnside, obtained the injunction by claiming that the proposed £10m offer by Europa for Europa would be in breach of Australian Corporations Law and incapable of being implemented in its present form.

The dispute centred on

One investor buys rump of Trafalgar rights

By Maggie Urry

The rump of Trafalgar House's 240m rights issue was bought entirely by one investor, believed to be a Scottish institution, in an auction arranged by the underwriters yesterday.

The 1-for-3 rights issue of convertible preference shares, offered at 100p, was taken up by 109.5 per cent of shareholders.

That left 30.2m shares for which the underwriters had to find subscribers. The proceeds from selling these shares goes to take up their rights.

The attraction to the buyer was said to be the yield on the shares, which was 10 per cent rate of interest, but to a

non-taxpaying investor, and at the 141.5p bid price, the yield is about 5.3 per cent.

Instead of taking the usual route of placing the shares, Swiss Bank Corporation and Robert Fleming auctioned them at 4.30pm yesterday. The winning bid came from one institution which put in an "all or nothing" bid at 141.5p.

Another institution was a close second with a bid for the lot at 141p.

The price compares with a closing price of 139.5p to 140p for the convertibles. Trafalgar House shares rose 5p to 105p.

Although there was a higher bid for a smaller amount, at 141.5p, the average of bids, excluding the two "all or nothing" offers, was 140.316p.

SBC said that the auction had produced a better price for shareholders than the usual placing method. The auction was brought to the UK equity market last year when a number of companies offered enhanced scrip dividends with a cash alternative provided through selling unwanted shares.

However, the use of the auction in a rights issue has ruffled some feathers. One institutional investor which did not bid in the auction said yesterday, "usually if you underwrite an issue you expect to get a chance at the rump". Brokers involved played down suggestions of a row, saying everyone's first concern was to get the best price for shareholders.

Glimmer of hope over Richmond Oil relisting

By Peggy Hollinger

Richmond Oil & Gas, the natural resources company which has lost or sold virtually all of its original assets over the past two years, yesterday offered shareholders a glimmer of hope by suggesting that its shares might resume trading in the next six weeks.

Long-suffering investors, who have watched the share price fall from 17p to 1.5p to September's suspension price of 4.5p, were told at the annual meeting that Richmond was in negotiations which could lead to a relisting.

Richmond is understood to be in talks with its joint venture partner, Northstar Energy, a Panamanian company owned by Aman International, a Luxembourg vehicle for Lithuanian and US interests. Northstar last year bought 85 per cent of Richmond's interest in a Russian joint venture to enhance production in a Siberian oil field. It is understood that this interest, along with some other properties, may be sold back to Richmond in return for shares.

Northstar is also understood to be seeking board representation. Richmond has just four directors, three of whom are non-executive, following the resignations last month of its chairman and managing director. Discussions with Northstar are expected to be concluded within the next six weeks.

Richmond also unveiled a sharp jump in interim losses from £386,000 to £963,000 for the six months to September 30. Turnover fell from £1.5m to £34,000.

The company also stated that it had agreed a price for the sale of its coalbed methane properties, which have been the subject of protracted disputes. Richmond had received \$4.5m (£3m), instead of \$6.2m, in return for enhanced repurchase options. There is the possibility of up to a further \$1.1m, depending on the resolution of the disputes.

The directors stated in the 1993 results

COMPANY NEWS: UK

Enlarged Motor World advances

By Andrew Bolger

Motor World Group, the car parts and accessories retailer floated last February, reported pre-tax profits of £3.65m, against £2.39m, for the year to October 31. On a pro forma basis profits rose by 17 per cent, from £3.30 to £3.9m.

Motor World's shares, which rose sharply after being floated at 21p, yesterday closed 8p higher at 37.3p.

Group sales grew by 15 per cent to £39.4m although the packaging and distribution division's turnover was flat at £9.8m.

The retail division's sales at £23.6m were ahead 21 per cent, and operating profits rose by 32 per cent to £2.9m. This reflected increased customer spend per visit through intensive sales training, a full contribution from 24 branches acquired during the previous financial year, and sales from 28 branches bought during the period.

Mr Darrell Kershaw, managing director, said the group was operating 201 stores by the end of October, and was on target to have 224 by the end of the current year, not including possible acquisitions. He looked forward to the coming year with "quiet confidence".

Mr Kershaw saw good opportunities for growth of the group's core business by expanding into the south of England and Scotland, as well as further fulfilling its network in the north of England, the Midlands and Wales.

Operating profits in the packaging and division slipped from £1.3m to £1.2m as a result of poor demand from fast-fit retailers, the division's largest customers, but there was an increase in orders at the end of 1993. The group said marketing improvements and cost-savings should bear fruit in future years.

Gearing at the year-end stood at 13 per cent, and is not expected to rise above 20 per cent.

Pro forma earnings per share were 19.7p compared with 16p. A final dividend of 4.7p gives a total for the year of 7p.

Brooke Tool cuts losses to £390,000

Reduced overheads and improved gross margins helped Brooke Tool Engineering (Holdings), the components, cutting tools and springs company, return to the black at the operating level.

However, interest charges of £421,000 (£811,000) pushed the pre-tax figure into losses of £390,000 (£4.06m) for the year to end-September.

Mr John Dasher, chairman, described the outcome as "encouraging against a background of only marginal improvement in activity levels".

Turnover from continuing operations was £14.6m (£15.6m).

Restructure cuts losses at Bimec

Bimec Industries, the water and waste treatment group, announced yesterday that its disposal and closure programme, initiated in November 1992, was nearing completion.

The statement accompanied news that pre-tax losses for the six months to September 30 had been cut to £1.2m, against £5.2m last time and £16.4m in the full year to end-March; comparisons were restated for FRS 3.

Turnover from continuing operations dipped to £9.3m (£10.3m), for operating losses of £786,000 (£1.26m).

Mr Roy Barber, chairman, emphasised that the group still faced a "long and difficult recovery period during which the continued support of our bankers will be essential".

Losses per share were 10.7p, down from 4.73p last time.

Wiggins

Wiggins Group, the property developer, reported reduced pre-tax losses of £84,000, against £359,000, for the six months to September 30.

The period was one of restricted activity, directors said, while negotiations for restructuring were in progress. Accordingly, the loss principally reflected costs of keeping the company operative.

The negotiations led to a capital reorganisation, acquisition of development properties and injection of new capital on October 31.

Nottingham coming to market with £80m tag

By Paul Cheeswright,
Midlands Correspondent

Nottingham Group, which under its NES Arnold trade name claims to be the UK's largest educational supplier, is expected to be valued at over £80m when it comes to the market in the spring.

Goldman Sachs, arranging and underwriting its first UK flotation, and James Capel, the stockbroker, will seek to place and sell through intermediaries shares worth at least £24m.

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The retail division's sales at £23.6m were ahead 21 per cent, and operating profits rose

COMMODITIES AND AGRICULTURE

Confidence grows in plan for aluminium output cuts

By Kenneth Gooding,
Mining Correspondent

There was growing confidence in the aluminium industry yesterday that output cuts of about 1.5m tonnes, representing 10 per cent of global production, were achievable following the unprecedented international trade deal agreed at the weekend between the world's leading aluminium-producing countries.

Two European aluminium producers, Hoogovens of the Netherlands and Norsk Hydro of Norway, yesterday indicated they were prepared to make cuts to bring the market back into balance. In the US, Southwire said it would immediately cut by 10 per cent output at its 170,000-tonnes-a-year Hawesville smelter in Kentucky.

Scepticism about the potential success of the agreement voiced by some analysts was reflected on the London Metal Exchange where the price of aluminium for delivery in three months slipped by \$4.25 a tonne.

MARKET REPORT

Coffee and cocoa prices in late dive

COFFEE and COCOA futures prices both took a dive at the London Commodity Exchange yesterday afternoon but still were unable to arouse much interest from buyers.

May delivery cocoa ended \$11 down at \$904 a tonne, while March coffee lost \$7 to \$1,165 a tonne.

At the London Metal Exchange zinc prices tumbled in after-hours "kerb" trading under largely technical liquidation prompted by a move below \$1,010 a tonne for three months metal. The market ended at \$1,002, down \$12 from Friday, but above a chart-support line near \$995. News that an announcement on cutting European zinc producing capacity could be made in February cut little ice with the market.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (5 tonnes)

Cash 3 mths

Close 1215-16 1233-35

Previous 1219.5-20.5 1237-39

High/low 1242/1231

AM Official 1218-18.5 1234-35

Kerb close 1231-33

Open int. 265,033

Total daily turnover 37,603

■ ALUMINUM ALLOY (5 tonnes)

Open 1085-69 1087-90

Previous 1084-68 1088-89

High/low 1079/1085

AM Official 1070-72 1089-94

Kerb close 1080-85

Open int. 2,998

Total daily turnover 206

■ LEAD (5 tonnes)

Close 506-07 518.5-19

Previous 506-07 518-19

High/low 510-12

AM Official 502-02.5 514-17

Kerb close 511-17

Total daily turnover 33,447

7,365

■ NICKEL (5 tonnes)

Close 5680-95 5750-55

Previous 5710-20 5750-80

High/low 5705/5740

AM Official 5688-89 5755-60

Kerb close 5785-80

Open int. 51,277

Total daily turnover 14,698

■ TIN (5 tonnes)

Cash 5340-45 5390-95

Previous 5320-22 5250-80

High/low 5355-65 5310-10

AM Official 5270-75

Kerb close 511-17

Open int. 17,774

Total daily turnover 6,208

■ ZINC, special high grade (5 tonnes)

Close 967.5-98.5 1007-09

Previous 967.5-98 1016-17

High/low 1017/1011

AM Official 991-1 1015-12

Kerb close 1001-2

Open int. 98,347

Total daily turnover 18,873

■ COPPER, grade A (5 tonnes)

Cash 1844-49 1867-69

Previous 1845-49 1871-72

High/low 1842.5/1842 1872/1863

AM Official 1842.5-43 1865.5-62

Kerb close 1868-69

Open int. 268,775

Total daily turnover 38,613

■ LME COTTON, 5% cotton (5 tonnes)

Open 1,4988

Total daily turnover 1,5020

Stock 1,5008 3 mths; 1,4852 5 mths; 1,4786 8 mths; 1,4823

■ HIGH GRADE COPPER (COMEX)

Open 2,58 8 months

Close 2,60 12 months

2 months 2,62

3 months 2,64

Silver Fix p/troy oz. US ct3 equiv.

Spot 337.40/378.80

3 months 341.95

4 months 352.60

1 year 354.00

Gold Cents S. pence

Kragerord 379-382

Maple Leaf 368.35-390.80

New Sovereign 89-92

55-62

tonne) to \$1,233.25. However, aluminium prices already had peaked up at the prospect of a deal and last week reached the best level for 6½ months. The price has risen about 12 per cent in January to stand 31 per cent above the eight-year lows touched in 1983.

Mr Stewart Spector, who produces the Spector Report on the industry, said he believed producers would make cuts because it was the industry that had pleaded with governments to negotiate to stem the rising tide of aluminium from Russia. "They will simply be doing what they should have done before, or what the market would force them to do if they do not make more cuts," he said. Mr Spector estimated that a cut to global supply of 1.5m tonnes would bring the market back into balance within a year.

Mr Lawrence Eagles, analyst at the GNI international trade house, also pointed out in his latest metals monthly that the deal would need to hold for only one year for it to make a substantial impact "and two years to place the market in a very healthy state for the rest of the decade". However, if the deal broke down, "the market will not see a price revival until the end of the century".

Various aspects of the deal, enshrined in a "memorandum of understanding" agreed by trade delegates from Australia, Canada, the European Union, Norway, Russia and the US, became clearer yesterday. Among the main points are:

• Russia will cut its output by 300,000 tonnes in the next three months and by further 200,000 tonnes in the following three months. Delegates said the two-tranche approach would enable the Russians to make sure that their initial cuts were being matched by western producers before moving on to deeper ones.

• There is no mention in the memorandum of specific targets for individual western countries because of anti-trust problems. Neither is there a

global target mentioned, but the trade delegates agreed at previous meeting that cuts of 5m to 2m tonnes were necessary.

Cuts dating back to November last year, after the first contacts between the trade delegates, count towards the global total. Delegates pointed out this would enable Reynolds Metals of the US and Alcan of Canada, which are in the process of implementing cuts totalling about 250,000 tonnes, to claim they have already made contributions.

• The cuts should last no longer than two years.

• It says unilateral trade measures would be inconsistent with the agreement. Delegates suggested that this indicates the EU will drop its restrictions on aluminium imports from the Commonwealth of Independent States, first imposed last August to "guard" the European industry, when they end on February 28 and that the US industry would not press claims that the Russians have been dumping the metal in their market.

• There is nothing specific offered in financial assistance from the west for the Russian industry, but the western nations have indicated that they will help the Russians implement their reconstruction plan. Help from the TACES (Technical Assistance to the CIS) programme, which is spending about 500,000 Ecu's a year.

• Production cuts will be monitored by the International Primary Aluminium Institute, a London-based data collecting organisation, to which the Russian smelters will now start providing information. Two Russian officials will meet the IPIA secretariat on February 16 and 17 to pave the way for their country's eventual membership.

• There is no mention in the memorandum of specific targets for individual western countries because of anti-trust problems. Neither is there a

now want to contribute less to the real problem, excessive supplies have caused the price of salmon on European wholesale markets virtually to halve over four years and are now causing the UK salmon farming industry to lose about \$1m of revenue a week.

Mr Ruud Treffers of the Salmon Farmers' Organisation

between them some 250 sites, claim to have a significant lead over their competitors in terms of production efficiency and costs, they cannot, they say, compete with the dumping of salmon at prices well below the cost of anybody's production.

The guilty party is Norway, where the 600 or so salmon farming companies have virtually doubled their production to about 220,000 tonnes a year since 1988, without any regard to the level of demand. Scottish production over the same period has increased, but by a more modest 26 per cent to about 50,000 tonnes. Norway's expansion, the Scottish farmers argue, is being fuelled by the Norwegian government and by the writing off of some £150m.

Meanwhile, and this is the real problem, excessive supplies have caused the price of salmon on European wholesale markets virtually to halve over four years and are now causing the UK salmon farming industry to lose about \$1m of revenue a week.

Needless to say the Scottish Salmon Farmers' Organisation

has made representations to the European Union and the British government. These resulted last November in the introduction of a minimum import price for salmon coming into the EU. But at only \$2.64 a kilogram it was, Scottish salmon farmers say, still well below the cost of production.

The guilty party is Norway, where the 600 or so salmon farming companies have virtually doubled their production to about 220,000 tonnes a year since 1988, without any regard to the level of demand. Scottish production over the same period has increased, but by a more modest 26 per cent to about 50,000 tonnes. Norway's expansion, the Scottish farmers argue, is being fuelled by the Norwegian government and by the writing off of some £150m.

Meanwhile, the salmon industry itself has come up with a proposal to try to deal with the overproduction - a proposal which, it is claimed, has the blessing of the European Commission. If approved by all parties, it would operate through the recently-formed European Salmon Industry Forum, which would appointed consultants to

advise on the appropriate number of young salmon (smolts) that should be put to sea - that is, into the loch cages for feeding and finishing each year.

Each producing country would form a producers' organisation whose job it would be to ensure that its members followed the ruling to expand or contract production and to police the scheme by appointing a committee of inspectors. Even if an individual salmon farmer did not join as could still be subject to the ruling through an EC-approved device entitled "extension of discipline".

Clearly it would be vital that all Atlantic-farmed salmon producing countries participated and informed opinion suggests that Norway would join the scheme. For the moment, however, the UK government seems reluctant to give the go ahead for something that would cost it nothing but could bring some stability to a high risk industry and save the jobs of thousands of people who have few other employment opportunities.

Scottish salmon farmers cannot understand the reason why.

Subsidised salmon puts Scots on the rocks

Efficient sea loch producers cannot compete with cut-price Norwegian supplies

FARMER'S VIEWPOINT

By David Richardson

farm scattered pallets of high protein feed across the water. Each scoop hit the surface the water boiled briefly as many pellets as possible before they sank towards the bottom.

Few if any pellets are wasted, I was assured. Indeed the salmon have an incredible conversion rate, of meat to one to one - a ratio which is, of course, helped by the fact that the fish also ingest water.

There could be little doubt that this was an efficient industry conducted among some of the most spectacular scenery in Britain. But it was not happy one. For although the 90 or so Atlantic salmon farmers in Scotland, operating

between them some 250 sites, claim to have a significant lead over their competitors in terms of production efficiency and costs, they cannot, they say, compete with the dumping of salmon at prices well below the cost of anybody's production.

The guilty party is Norway, where the 600 or so salmon farming companies have virtually doubled their production to about 220,000 tonnes a year since 1988, without any regard to the level of demand. Scottish production over the same period has increased, but by a more modest 26 per cent to about 50,000 tonnes. Norway's expansion, the Scottish farmers argue, is being fuelled by the Norwegian government and by the writing off of some £150m.

Meanwhile, the salmon industry itself has come up with a proposal to try to deal with the overproduction - a proposal which, it is claimed, has the blessing of the European Commission. If approved by all parties, it would operate through the recently-formed European Salmon Industry Forum, which would appointed consultants to

UN's small farmer aid agency seeks new means of funding

By John Madeley in Rome

The Governing Council of the UN's International Fund for Agricultural Development ended a three-day meeting last week by deciding to look for new ways of funding Ifad's work because the present method has broken down.

Since 1977, western and oil exporting countries belonging to the Organisation of Petroleum Exporting Countries have contributed a certain percentage of Ifad's funds. These are loaned to projects to help small farmers in developing countries. But the Opec countries

now want to contribute less to the real problem, excessive supplies have caused the price of

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WORLD STOCK MARKETS

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EUROPE										NORTH AMERICA (Jan 31 / US\$)										ASIA (Jan 31 / HK\$)																	
High					Low					YH					High					High					High												
AUSTRIA (Feb 31 / Sch)	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570	+70	5,600	5,420	0.5	Portug	2,800	+100	2,900	2,800	0.5	Switz	2,700	+10	2,800	2,600	0.5	Taiwan	370	+10	370	360	0.5						
Belgium	Mitros	165.40	+10	165	160.50	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+110	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Denmark	Skandia	1,035	+20	1,050	1,020	0.5	ARCON	105.40	+10	111	104.00	0.5	Peter	2,450	+10	2,475	2,110	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Egypt	El Nasr	1,195	+10	1,210	1,190	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Finland	Siemens	1,000	+10	1,020	990	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
France	Elf	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Germany	Siemens	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Iceland	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Ireland	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Italy	Enel	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Luxembourg	Siemens	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Netherlands	Siemens	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Norway	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Portugal	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Spain	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Sweden	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
United Kingdom	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
Yugoslavia	El Nasr	1,020	+10	1,040	1,010	0.5	ARMAT	72.10	+10	73	70.00	0.5	Peter	2,450	+100	2,700	2,150	0.5	Korea	2,450	+100	2,500	2,100	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5							
EUROPE	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570	+70	5,600	5,420	0.5	Portug	2,800	+100	2,900	2,800	0.5	Korea	2,450	+100	2,500	2,100	0.5	Taiwan	370	+10	370	360	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5
Belgium	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570	+70	5,600	5,420	0.5	Portug	2,800	+100	2,900	2,800	0.5	Korea	2,450	+100	2,500	2,100	0.5	Taiwan	370	+10	370	360	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5
Denmark	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570	+70	5,600	5,420	0.5	Portug	2,800	+100	2,900	2,800	0.5	Korea	2,450	+100	2,500	2,100	0.5	Taiwan	370	+10	370	360	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5
Finland	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570	+70	5,600	5,420	0.5	Portug	2,800	+100	2,900	2,800	0.5	Korea	2,450	+100	2,500	2,100	0.5	Taiwan	370	+10	370	360	0.5	U.S. Ind.	1,478.61	+10	1,480	1,450	0.5
France	Logos	6,000	+220	6,100	5,940	0.7	NETHERLANDS (Jan 31 / NLG)	Peter	5,570																												

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1982/84										1983/84										1982/84										1983/84																			
High Low Stock					Ttl P% E 100s					High Low Close Prev. Close					High Low Stock					Ttl P% E 100s					High Low Stock					Ttl P% E 100s					High Low Stock					Ttl P% E 100s									
Continued from previous page																																																	
54 38% Sells Mac	1.40	2.9	10	3041	49	476	482	-14		65 30% Interdec	1.68	3.9	18	623	424	42%	42%	-14	71 14% USLIFE Inc	0.84	8.0	0	7	10%	101	102	103	104	105	71 14% USLIFE Inc	0.84	8.0	0	7	10%	101	102	103	104	105									
4-3 12% Salomon Br	0.55	4.0	719	135	135	135	135		50 34% Tandem	2	3546	124	121	121	121	121	45 27% USX US	0.63	3.7462	3258	182	182	182	182	182	45 27% USX US	0.63	3.7462	3258	182	182	182	182	182	182	182	182	182											
73 23 Salomon	0.64	1.3	12	2039	495	484	494	-13	137 11% Taurus Mgmt	0.71	6.2	138	12	114	12	114	46 27% USX US	1.00	2.3	27	49	49	49	49	49	46 27% USX US	1.00	2.3	27	49	49	49	49	49	49	49	49												
5 312 SamsPac	0.48	8.0	24	36	246	24	244		204 16% Tech Energy	0.96	4.6	15	61	207	205	204	204	204	24 16% Tech Corp	0.61	21	16	457	207	205	204	204	24 16% Tech Corp	0.61	21	16	457	207	205	204	204	24 16% Tech Corp	0.61	21	16	457	207	205	204	204	24 16% Tech Corp			
19 8% SamsPac	0.16	17.0	308	850	812	94	94	-13	5 1% Telecom	0.20	57	35	35	35	35	35	5 1% Telecom	0.20	57	35	35	35	35	35	35	5 1% Telecom	0.20	57	35	35	35	35	35	35	5 1% Telecom	0.20	57	35	35	35	35	35	35	5 1% Telecom					
34 35% SamsPac	2.80	7.0	18	46	359	393	393	-13	27 1% TeleTech	0.80	3.4	17	2488	24	24	24	24	27 1% TeleTech	1.52	38	37	37	37	37	37	37	27 1% TeleTech	1.52	38	37	37	37	37	37	37	27 1% TeleTech	1.52	38	37	37	37	37	37	37	27 1% TeleTech				
14 12% SamsPac	0.10	0.4	13	4164	245	245	242		42 2% TelusSoft	0.96	13	15	3645	671	671	671	671	42 2% TelusSoft	5.24	28	11	833	462	462	462	462	56 1% VF Corp	1.28	2.8	11	833	462	462	462	462	56 1% VF Corp	1.28	2.8	11	833	462	462	462	462	56 1% VF Corp				
21 21 SamsPac	0.64	29	157500	134	134	134	134		73 44% Telmex	0.96	1.3	15	3645	671	671	671	671	26 19% Viatel	0.52	2.3	11	1167	225	225	225	225	52 1% Viatel	0.52	2.3	11	1167	225	225	225	225	52 1% Viatel													
4-3 40% Sams Corp	2.74	5.7	11	769	485	484	484	-13	54 37% TempEmmis	1.00	1.9	43	75	55	55	55	52 1% Viatel	0.17	0.6	13	15	3645	671	671	671	671	52 1% Viatel	0.17	0.6	13	15	3645	671	671	671	671	52 1% Viatel												
18 16% Sams Corp	1.42	7.3	13	1366	178	192	192	-13	9 7% TempSift	0.60	7.5	75	75	75	75	75	52 1% Viatel	0.60	7.5	75	75	75	75	75	52 1% Viatel	0.60	7.5	75	75	75	75	75	75	52 1% Viatel	0.60	7.5	75	75	75	75	75	75	52 1% Viatel						
53 23% Schenck	0.32	550	440	32	30	46	46	-13	57 39% Tenesco	1.60	2.8	28	30	29	29	29	52 1% Viatel	2.20	79	11	91	201	201	201	201	52 1% Viatel	2.20	79	11	91	201	201	201	201	52 1% Viatel	2.20	79	11	91	201	201	201	201	52 1% Viatel					
71 51% Schenck	1.80	2.9	14	3133	654	654	654		29 21% Tenesco Pro	0.20	79	11	91	201	201	201	201	29 13% Techne	0.70	59	46	26	26	26	26	26	29 13% Techne	0.70	59	46	26	26	26	26	26	29 13% Techne	0.70	59	46	26	26	26	26	26	29 13% Techne				
16 18% Schenck	1.20	2.0	24	3138	582	582	582	-13	52 16% Techne	0.60	1.8	17	19	19	19	19	52 16% Techne	0.60	1.8	17	19	19	19	19	52 16% Techne	0.60	1.8	17	19	19	19	19	52 16% Techne	0.60	1.8	17	19	19	19	19	52 16% Techne	0.60	1.8	17	19	19	19	19	52 16% Techne
14 5% Schenck	0.28	0.9	14	2019	295	284	284	-13	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind				
17 14% Schenck	0.12	0.4	42	3374	28	274	274	-13	104 3% Tesoro	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind													
19 9% Schenck	0.10	0.7	14	23	145	145	142		60 57% Texaco	3.20	17	45	1674	563	563	563	563	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind	0.08	1.0	24	1760	104	104	104	104	53 16% Terra Ind													
31 31% Schenck	0.50	1.7	11	4108	1464	444	444	-13	53 504 1% Texaco C	3.00	5.8	3	51	51	51	51	53 16% Terra Ind	1.20	21	14	2071	104	104	104	104	53 16% Terra Ind	1.20	21	14	2071	104	104	104	104	53 16% Terra Ind														
15 14% Schenck/M&P	0.27	1.0	18	590	275	265	265	-13	23 21% Texas Ind	0.20	6.6	40	454	52	52	52	52	23 21% Texas Ind	0.20	6.6	40	454	52	52	52	52	23 21% Texas Ind	0.20	6.6	40	454	52	52	52	52	23 21% Texas Ind													
16 16% Schenck	0.70	1.6	14	3133	115	115	115	-13	84 45% Teltel	0.72	1.0	15	4904	714	704	704	704	84 45% Teltel	0.72	1.0	15	4904	714	704	704	704	84 45% Teltel	0.72	1.0	15	4904	714	704	704	704	84 45% Teltel													
17 15% Schenck/SECS	0.70	4.0	8	1772	172	172	172	-13	21 26% Texas Pac	0.40	1.8	40	421	216	216	216	216	21 26% Texas Pac	0.40	1.8	40	421	216	216	216	216	21 26% Texas Pac	0.40	1.8	40	421	216	216	216	216	21 26% Texas Pac													
24 24% Schenck	0.50	1.8	38	1084	320	320	304	-13	493 3% Teltel Pl	3.08	8.0	18	4189	304	304	304	304	493 3% Teltel Pl	1.10	11.0	12	10	94	94	94	94	493 3% Teltel Pl	1.10	11.0	12	10	94	94	94	94	493 3% Teltel Pl													
15 15% Schenck En	0.47	4.7	613	27	264	264	264		9 2% Teltel Inds	1.10	10.8	4	125	4	3	3	9 2% Teltel Inds	1.10	10.8	4	125	4	3	3	9 2% Teltel Inds	1.10	10.8	4	125	4	3	3	9 2% Teltel Inds	1.10	10.8	4	125	4	3	3	9 2% Teltel Inds								
32 32% Second Air	23	208	308	302	302	304	-13	60 40% Telecom	1.24	2.1	14	626	593	593	593	593	60 40% Telecom	70	15	414	4	4	4	4	60 40% Telecom	70	15	414	4	4	4	4	60 40% Telecom	70	15	414	4	4	4	4	60 40% Telecom								
42 42% Sear's	1.60	29	32	5391	551	545	545	-13	34 3% Thermokey	2.44	10.5	95	95	95	95	95	34 3% Thermokey	0.35	17	565	201	194	194	194	34 3% Thermokey	0.35	17	565	201	194	194	194	34 3% Thermokey	0.35	17	565	201	194	194	194	34 3% Thermokey								
14 12% Sear's	0.84	6.3	93	124	124	124	124		181 1% Thai Fund	0.50	8.0	8	357	331	325	325	181 1% Thai Fund	0.50	8.0	8	357	331	325	325	181 1% Thai Fund	0.50	8.0	8	357	331	325	325	181 1% Thai Fund	0.50	8.0	8	357	331	325	325	181 1% Thai Fund								
20 Sonarmex	0.22	0.7	34	1372	344	335	335	-13	56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp													
36 18% Sear's	0.60	1.7	7	107	291	291	285	-13	37 1% Vitec Corp	0.50	8.0	8	357	331	325	325	37 1% Vitec Corp	0.50	8.0	8	357	331	325	325	37 1% Vitec Corp	0.50	8.0	8	357	331	325	325	37 1% Vitec Corp	0.50	8.0	8	357	331	325	325	37 1% Vitec Corp								
17 17% Sear's	0.50	1.4	18	107	107	107	107		56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp	1.28	2.8	11	833	462	462	462	462	56 14% Vitec Corp													

NASDAQ NATIONAL MARKET

4 pm close January 3

Prev Prc Class	Stock	Wk						Wk						Wk						Wk																	
		Dir.	E	100s	High	Low	Last	Chg	Dir.	E	100s	High	Low	Last	Chg	Dir.	E	100s	High	Low	Last	Chg	Dir.	E	100s	High	Low	Last	Chg								
+4	ABX Inds	0.20	19	56	12 ^{1/2}	12	12 ^{1/2}	-	Debtah En	0.32	21	193	14 ^{1/4}	14	14 ^{1/4}	-	Jones Med	0.10	25	91	14 ^{1/2}	14 ^{1/2}	14 ^{1/2}	-1 ^{1/2}	Preston	0.12	1	14	4 ^{1/2}	4	4 ^{1/2}	-					
+3	ACC Corp	0.12	60	471	20 ^{1/2}	19 ^{1/2}	20	-1 ^{1/2}	Debtah Ge	0.50	149	342	23 ^{1/2}	23 ^{1/2}	23 ^{1/2}	-1 ^{1/2}	Joyce Co	1.16	12	119	25 ^{1/2}	24 ^{1/2}	25 ^{1/2}	+1 ^{1/2}	Pr.Cost	26	6088	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	-					
+2	Azctalm E	29	8236	224	21 ^{1/2}	22 ^{1/2}	22 ^{1/2}	-1 ^{1/2}	Debtahpm	0.44	11	303	22 ^{1/2}	21 ^{1/2}	21 ^{1/2}	-1 ^{1/2}	JSS Fin	0.11	64	559	23 ^{1/2}	23 ^{1/2}	23 ^{1/2}	-1 ^{1/2}	Prde Pct	112	12	112	25 ^{1/2}	24 ^{1/2}	24 ^{1/2}	-2 ^{1/2}					
+1	Acme Mills	41	1561	1652	22 ^{1/2}	22 ^{1/2}	24 ^{1/2}	+1 ^{1/2}	Dell Comp	0.16	20	44	17	16 ^{1/2}	16 ^{1/2}	-1 ^{1/2}	Juno Lig	0.24	28	820	20 ^{1/2}	19 ^{1/2}	19 ^{1/2}	-1 ^{1/2}	Prgrm	13	15	8	7 ^{1/2}	7 ^{1/2}	7 ^{1/2}	-					
+1	Acutron Co	34	236	242	23 ^{1/2}	23 ^{1/2}	24 ^{1/2}	-1 ^{1/2}	DeftdStm	0.20	16	40	28 ^{1/2}	28 ^{1/2}	28 ^{1/2}	-1 ^{1/2}	Japan	0.16	12	455	16 ^{1/2}	15 ^{1/2}	16	-1 ^{1/2}	ProtectU	1.04	23	176	25 ^{1/2}	24 ^{1/2}	24 ^{1/2}	-2 ^{1/2}					
+1	Adaptech	16	7790	19 ^{1/2}	19	19 ^{1/2}	-1 ^{1/2}	Dell Grv	1.00	7	1378	28 ^{1/2}	28 ^{1/2}	28 ^{1/2}	-1 ^{1/2}	Japan	0.16	12	455	16 ^{1/2}	15 ^{1/2}	16	-1 ^{1/2}	Pulser	0.54	12	510	29 ^{1/2}	28 ^{1/2}	28 ^{1/2}	-2 ^{1/2}						
+1	ADC Tele	31	1619	33	38 ^{1/2}	36 ^{1/2}	36 ^{1/2}	-1 ^{1/2}	Dh Tach	14	52	17 ^{1/2}	16 ^{1/2}	17 ^{1/2}	17 ^{1/2}	-1 ^{1/2}	Japan	0.16	12	455	16 ^{1/2}	15 ^{1/2}	16	-1 ^{1/2}	Puritan B	0.12	16	774	21	20	20	-					
+1	Adktronics	105	329	329	17 ^{1/2}	18	18	-1 ^{1/2}	Ditrus B	0.72	10	103	26 ^{1/2}	26 ^{1/2}	26 ^{1/2}	-1 ^{1/2}	-K-	- K -						- K -						- K -							
+1	Adta Serv	0.16	17	4	24 ^{1/2}	24 ^{1/2}	24 ^{1/2}	-	Digi Ind	18	1880	33	18 ^{1/2}	19 ^{1/2}	19 ^{1/2}	+1 ^{1/2}	K Swiss	14	289	25 ^{1/2}	24	24	-1	K Swiss	14	289	25 ^{1/2}	24	24	-1	DigitalCom	12	47	74 ^{1/2}	71 ^{1/2}	71 ^{1/2}	-
+1	Adobe Sys	0.20	24	7901	31	30 ^{3/4}	-1 ^{1/2}	Digi Micro	91	1142	28 ^{1/2}	26 ^{1/2}	27 ^{1/2}	27 ^{1/2}	-1 ^{1/2}	Adman Cr	0.44	5	575	9 ^{1/2}	9 ^{1/2}	9 ^{1/2}	-1 ^{1/2}	CustomerLog	0.62	27	3	14 ^{1/2}	14 ^{1/2}	14 ^{1/2}	-						
+1	Advance C	12	1074	117	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	-	Dig Sound	6	1332	2	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	-1 ^{1/2}	Hartert C	0.08	16	369	13 ^{1/2}	13 ^{1/2}	13 ^{1/2}	-1 ^{1/2}	Dust Food	0.20	16	857	22 ^{1/2}	22 ^{1/2}	22 ^{1/2}	-					
+1	Adv Logic	6	487	41 ^{1/2}	41 ^{1/2}	41 ^{1/2}	-1 ^{1/2}	Dig Syst	9	11	34	3 ^{1/2}	3 ^{1/2}	3 ^{1/2}	-1 ^{1/2}	Kayden Co	0.40	12	1023	20 ^{1/2}	19 ^{1/2}	19 ^{1/2}	-1 ^{1/2}	Quantum	73	7188	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	-						
+1	Adv Polym	8	302	574	51 ^{1/2}	51 ^{1/2}	51 ^{1/2}	-1 ^{1/2}	Dinner Co	17	213	36	35 ^{1/2}	35 ^{1/2}	35 ^{1/2}	-1 ^{1/2}	KileyDd	987	1301	12 ^{1/2}	95 ^{1/2}	95 ^{1/2}	95 ^{1/2}	-1 ^{1/2}	Quicksilv	17	1429	13 ^{1/2}	13 ^{1/2}	13 ^{1/2}	13 ^{1/2}	-					
+1	AdvTechLab	48	122	17 ^{1/2}	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	-	Dive Yrn	0.20	18	136	11	10 ^{1/2}	11	-1 ^{1/2}	Kelly Sr	0.64	25	246	29 ^{1/2}	29 ^{1/2}	29 ^{1/2}	-1 ^{1/2}	DVC Network	29	5774	44 ^{1/2}	43 ^{1/2}	43 ^{1/2}	43 ^{1/2}	-					
+1	Advantek	0.20	16420	313	302	31 ^{1/2}	-1 ^{1/2}	DIMA Plant	5	4908	58	5 ^{1/2}	5 ^{1/2}	5 ^{1/2}	-1 ^{1/2}	Kentamtr	0.44	1	1187	32 ^{1/2}	33 ^{1/2}	33 ^{1/2}	-3 ^{1/2}	Kentamtr	0.44	1	1187	32 ^{1/2}	33 ^{1/2}	33 ^{1/2}	-3 ^{1/2}						
+1	Agency R	22	2679	13 ^{1/2}	12 ^{1/2}	13	-1 ^{1/2}	Dollar Gm	0.30	27	2309	27 ^{1/2}	26 ^{1/2}	27 ^{1/2}	-1 ^{1/2}	Kentucky	0.11	12	40	7 ^{1/2}	7	7 ^{1/2}	-1 ^{1/2}	Krebsad	0.84	17	645	31 ^{1/2}	31	31 ^{1/2}	-1 ^{1/2}						
+1	Agnoixa	0.1016	25303	11 ^{1/2}	11 ^{1/2}	11 ^{1/2}	-	Dom Blsts	0.44	55	861	27 ^{1/2}	26 ^{1/2}	27	-1 ^{1/2}	Kremer	30	31	64	6 ^{1/2}	6 ^{1/2}	6 ^{1/2}	-1 ^{1/2}	Rainbow	19	1632	30 ^{1/2}	19 ^{1/2}	19 ^{1/2}	19 ^{1/2}	-						
+1	Alco ADR	0.78	19	791	654	53 ^{1/2}	54 ^{1/2}	-1 ^{1/2}	Dowm Hts	0.08	22	82	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	-	KLA Incr	46	3838	43 ^{1/2}	34	34 ^{1/2}	34 ^{1/2}	-1 ^{1/2}	Rallys	35	5754	11 ^{1/2}	10 ^{1/2}	11 ^{1/2}	11 ^{1/2}	-					
+1	Alduz Crp	51	1081	27	26	26 ^{1/2}	-1 ^{1/2}	DrexEnergy	8	119	12	11	11	11	-1 ^{1/2}	Knowledge	8	889	18 ^{1/2}	16	16	16	-1 ^{1/2}	Rectopex	4	1309	8 ^{1/2}	8 ^{1/2}	8 ^{1/2}	8 ^{1/2}	-						
+1	Abbie	0.08	18	766	353	28 ^{1/2}	28 ^{1/2}	-	Dressbream	13	745	17 ^{1/2}	11 ^{1/2}	11 ^{1/2}	11 ^{1/2}	-1 ^{1/2}	Komag Inc	16	4039	18 ^{1/2}	17 ^{1/2}	18 ^{1/2}	18 ^{1/2}	-1 ^{1/2}	Recover	27	1658	29 ^{1/2}	29 ^{1/2}	29 ^{1/2}	29 ^{1/2}	-					
+1	Abegg & W	15	11	6 ^{1/2}	6 ^{1/2}	6 ^{1/2}	-1 ^{1/2}	Drey SD	0.24	19	90	23 ^{1/2}	22 ^{1/2}	22 ^{1/2}	-1 ^{1/2}	Kuleka S	11	1575	15 ^{1/2}	14 ^{1/2}	15 ^{1/2}	15 ^{1/2}	-1 ^{1/2}	Raymond	23	168	18	17 ^{1/2}	17 ^{1/2}	17 ^{1/2}	-						
+1	Alten Org	0.48	12	2	30	30	30	-	Drg Empre	0.08	65	1212	8 ^{1/2}	8 ^{1/2}	8 ^{1/2}	-1 ^{1/2}	LDDG A	329	5035	50 ^{1/2}	49 ^{1/2}	49 ^{1/2}	49 ^{1/2}	-1 ^{1/2}	Rep Waste	15	222	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	-					
+1	Alten Ph	6	979	9 ^{1/2}	9 ^{1/2}	9 ^{1/2}	-1 ^{1/2}	DG Bankcr	1.08	14	43	25 ^{1/2}	24 ^{1/2}	24 ^{1/2}	-1 ^{1/2}	LDDG A	329	5035	50 ^{1/2}	49 ^{1/2}	49 ^{1/2}	49 ^{1/2}	-1 ^{1/2}	Rep Waste	15	222	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	-						
+1	AlloCap	1.00	13	155	14 ^{1/2}	14	14 ^{1/2}	-1 ^{1/2}	Durian	0.60	39	1761	25	24	25	-1 ^{1/2}	LDDG A	329	5035	50 ^{1/2}	49 ^{1/2}	49 ^{1/2}	49 ^{1/2}	-1 ^{1/2}	Rep Waste	15	222	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	31 ^{1/2}	-					
+1	Allo Cap	0.60	13	155	15	14 ^{1/2}	14 ^{1/2}	-1 ^{1/2}	Durir Hts	0.30	24	5	6 ^{1/2}	3 ^{1/2}	3 ^{1/2}	-1 ^{1/2}	DynastyCl	0	5	3 ^{1/2}	3 ^{1/2}	3 ^{1/2}	3 ^{1/2}	-1 ^{1/2}	Elite A	16	710	19 ^{1/2}	16 ^{1/2}	16 ^{1/2}	16 ^{1/2}	-2 ^{1/2}					
+1	Allocte C	0.32475	44	51 ^{1/2}	43 ^{1/2}	43 ^{1/2}	-	Dynamach	13	266	20 ^{1/2}	19 ^{1/2}	19 ^{1/2}	19 ^{1/2}	-1 ^{1/2}	Dynastach	13	266	20 ^{1/2}	19 ^{1/2}	19 ^{1/2}	19 ^{1/2}	-1 ^{1/2}	Rep Waste	4	658	7	6 ^{1/2}	6 ^{1/2}	6 ^{1/2}	-						
+2	Alta Gold	0.05	3	230	113	113	-1 ^{1/2}	Elle	29	1899	31	30 ^{3/4}	-1 ^{1/2}	- L -						- L -						- L -						- L -					

- w

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- T -													
54	TCLY Enter	0.20	31	25	176	61	61	61	61	61	61	61	61
27%	TCLY Finance	1.00	32	10	53	311	302	313	313	313	313	313	313
84	TCH Conv S	0.84	8	212	92	92	92	92	92	92	92	92	92
25%	TDS Corp A	0.47	12	40	42	393	394	392	392	392	392	392	392
22%	TDS Mitg	0.20	16.0	0	8	1	2	2	2	2	2	2	2
24%	TIX	0.50	18	17	4296	291	278	281	281	281	281	281	281
14%	TIV Enter	1.63	81	33	715	172	172	172	172	172	172	172	172
52%	TIW	1.88	25	22	2336	742	732	742	742	742	742	742	742
54%	TIZ Medz	0.10	1.2	8	2646	85	85	85	85	85	85	85	85
17%	Tizen Fd	1688	254	34	34	343	343	343	343	343	343	343	343
- U -													
13%	TM Motor	0.32	1.2	18	848	264	24	25	25	25	25	25	25
23%	TempStud	0.12	1.015	1423	332	332	332	332	332	332	332	332	332
82%	Terex	0.64	17	16	332	332	332	332	332	332	332	332	332
18%	Testek	0.52	2.0	16	111	264	24	24	24	24	24	24	24
25%	Thomhouse	1.00	31	20	454	322	313	322	322	322	322	322	322
37%	THW	1.35	21	19	588	444	424	424	424	424	424	424	424
22%	Thomes	0.68	28	22	16	242	24	24	24	24	24	24	24
10%	Thru State Mut	0.68	7	9	26	114	11	114	114	114	114	114	114
6%	ThruFed Bk	0.59	1.8	8	888	294	282	282	282	282	282	282	282
6%	Thyssen	0.24	2.6	7	92	75	75	75	75	75	75	75	75
3%	ThyssenChew	0.27	18	776	416	416	416	416	416	416	416	416	416
17%	ThyssenGremm	1.6	92	324	355	332	332	332	332	332	332	332	332
8%	Thyssen Int'l	0.12	1.2	5	142	104	104	104	104	104	104	104	104
21%	ThyssenKrupp	0.60	3.0981	151	30	294	294	294	294	294	294	294	294
3%	Thyssen Dow	0.71	4.3	31	233	167	155	167	155	167	155	167	155
16%	Thyssen Stop Shop	20	2239	241	22	234	234	234	234	234	234	234	234
8%	Thyssen	0.84	5.4	17	560	155	155	155	155	155	155	155	155
8%	Thyssen	11	6300	345	335	335	335	335	335	335	335	335	335
20%	Thyssen	43	1674	304	304	304	304	304	304	304	304	304	304
12%	ThyssenRhein	0.38	2.3	13	922	174	164	164	164	164	164	164	164
19%	Thyssen Rfer	1.20	44	15	524	271	271	271	271	271	271	271	271
3%	Thyssen Soc	0.30	83	1	47	35	35	35	35	35	35	35	35
9%	Sun Die A	1.10	10.8	10	84	102	105	105	105	105	105	105	105
3%	Sun Die B	0.11	2.6	3	56	74	44	44	44	44	44	44	44
6%	Sun Energy	0.72	10.3	46	154	405	405	405	405	405	405	405	405
35%	Sunray	0.40	1.3	1149	405	405	405	405	405	405	405	405	405
20%	Sunrise	1.20	2.7	16	2067	447	429	429	429	429	429	429	429
11%	SunshineH	1.19	134	188	85	85	85	85	85	85	85	85	85
5%	Sunstate	0.673	24	24	24	24	24	24	24	24	24	24	24
41%	Sunst	1.28	28	12	1210	463	463	463	463	463	463	463	463
8%	Super Food	0.36	2.8	16	102	302	302	302	302	302	302	302	302
18%	Superior	0.12	0.3	30	940	432	424	424	424	424	424	424	424
25%	Suprel	0.38	2.3	15	1815	394	384	384	384	384	384	384	384
14%	Surf Care	0.16	0.8	21	2151	181	18	18	18	18	18	18	18
13%	Surex Hlth	0.08	0.4	454	224	224	224	224	224	224	224	224	224
11%	Syndicat	26	733	185	175	185	185	185	185	185	185	185	185
9%	Syntex Corp	12	26	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
15%	Syntex Fn	0.37	2.1	15	337	175	175	175	175	175	175	175	175
15%	Syntex	1.04	6.8	8	2789	152	154	154	154	154	154	154	154
22%	Syntex	0.36	1.3	23	7088	275	27	274	274	274	274	274	274
7%	Syntex Co	8	205	104	9%	104	9%	104	9%	104	9%	104	9%
- U -													
13%	TBL Motor	0.32	1.2	18	848	264	24	25	25	25	25	25	25
23%	TBLM	0.12	1.015	1423	332	332	332	332	332	332	332	332	332
18%	Tandler	0.64	17	16	111	264	24	24	24	24	24	24	24
25%	Tanhouse	1.00	31	20	454	322	313	322	322	322	322	322	322
37%	TANW	1.35	21	19	588	444	424	424	424	424	424	424	424
22%	Tarnes	0.68	28	22	16	242	24	24	24	24	24	24	24
10%	Tate Mut	0.68	7	9	26	114	11	114	114	114	114	114	114
6%	TateFrd Bk	0.59	1.8	888	294	282	282	282	282	282	282	282	282
6%	Tatnig	0.24	2.6	7	92	75	75	75	75	75	75	75	75
3%	TatnigChew	0.27	18	776	416	416	416	416	416	416	416	416	416
17%	TatnigGremm	1.6	92	324	355	332	332	332	332	332	332	332	332
8%	Tatnig Int'l	0.12	1.2	5	142	104	104	104	104	104	104	104	104
21%	Tatnig Stop Shop	20	2239	241	22	234	234	234	234	234	234	234	234
8%	Tatnig	0.84	5.4	17	560	155	155	155	155	155	155	155	155
8%	Tatnig	11	6300	345	335	335	335	335	335	335	335	335	335
20%	Tatnig	43	1674	304	304	304	304	304	304	304	304	304	304
12%	TatnigRhein	0.38	2.3	13	922	174	164	164	164	164	164	164	164
19%	Tatnig Rfer	1.20	44	15	524	271	271	271	271	271	271	271	271
3%	Tatnig Soc	0.30	83	1	47	35	35	35	35	35	35	35	35
9%	Tatnig A	1.10	10.8	10	84	102	105	105	105	105	105	105	105
3%	Tatnig B	0.11	2.6	3	56	74	44	44	44	44	44	44	44
6%	Tatnig	0.72	10.3	46	154	405	405	405	405	405	405	405	405
35%	Tatnig	0.40	1.3	1149	405	405	405	405	405	405	405	405	405
20%	Tatnig	1.20	2.7	16	2067	447	429	429	429	429	429	429	429
11%	Tatnig H	0.30	83	1	47	35	35	35	35	35	35	35	35
15%	Tatnig	1.19	134	188	85	85	85	85	85	85	85	85	85
5%	Tatnig	0.673	24	24	24	24	24	24	24	24	24	24	24
41%	Tatnig	1.28	28	12	1210	463	463	463	463	463	463	463	463
8%	Tatnig	0.36	2.8	16	102	302	302	302	302	302	302	302	302
18%	Tatnig	0.12	0.3	30	940	432	424	424	424	424	424	424	424
25%	Tatnig	0.38	2.3	15	1815	394	384	384	384	384	384	384	384
14%	Tatnig	0.16	0.8	21	2151	181	18	18	18	18	18	18	18
13%	Tatnig	0.08	0.4	454	224	224	224	224	224	224	224	224	224
- U -													
54	TCLY Enter	0.20	31	25	176	61	61	61	61	61	61	61	61
27%	TCLY Financ	1.00	32	10	53	311	302	313	313	313	313	313	313
84	TCLY Conv S	0.84	8	212	92	92	92	92	92	92	92	92	92
25%	TCLY Corp A	0.47	12	40	42	394	394	392	392	392	392	392	392
20%	TCLY Mitg	0.20	16.0	0	8	1	2	2	2	2	2	2	2
24%	TIX	0.50	18	17	4296	291	278	281	281	281	281	281	281
14%	TIX Enter	1.63	81	33	715	172	172	172	172	172	172	172	172
52%	TIXW	1.88	25	22	2336	742	732	742	742	742	742	742	742
54%	TIX Medz	0.10	1.2	8	2646	85	85	85	85	85	85	85	85
17%	Tizzen Fd	1688	254	34	34	343	343	343	343	343	343	343	343
- U -													
54	TJL Motor	0.32	1.2	18	848	264	24	25	25	25	25	25	25
23%	TJL Wfn	0.12	1.015	1423	332	332	332	332	332	332	332	332	332
18%	TJL Standek	0.64	17	16	111	264	24	24	24	24	24	24	24
25%	TJL Sunhouse	1.00	31	20	454	322	313	322	322	322	322	322	322
37%	TJL SW	1.35	21	19	588	444	424	424	424	424	424	424	424
22%	TJL Sunhouse	0.68	28	22	16	242	24	24	24	24	24	24	24
10%	TJL State Mut	0.68	7	9	26	114	11	114	114	114	114	114	114
6%	TJL Redfield Bk	0.59	1.8	888	294	282	282	282	282	282	282	282	282
6%	TJL StipChew	0.24	2.6	7	92	75	75	75	75	75			

10-year 2%

AMEX COMPOSITE PRICES

4 pm close January

P/	Sales		P/	Sales		P/	Sales		P/	Sales		P/	Sales		P/	Sales		P/	Sales		P/	Sales		P/	Sales						
Div.	E	1988	High	Low	Class	Chg%	Stock	Div.	E	1988	High	Low	Close	Chg%	Stock	Div.	E	1988	High	Low	Close	Chg%	Stock	Div.	E	1988	High	Low	Close	Chg%	
Appl	35	13	127	125	123	-1	Chiles	28	1889	53	43	51	51	+1	Gulf Cde	0.24	2	456	32	33	31	+1	Nomac OG&G	82	15	67	65	65	65	+1	
App	0.33	13	265	187	179	-1	Citri Fida	0.01	397	51	50	51	51	+1	Hastco	0.24	15	4806	343	335	335	-1	NY Ryan	1	1284	16	13	13	13	-1	
App	1	12	145	145	145	+1	Cominco	0.30	8	89	152	154	154	+1	Health Cr	0	40	4	4	4	4	+1	Odetics A	34	135	92	94	94	94	+1	
App	14	35	44	44	44	+1	Computer	5	6	11	9	9	9	+1	Heico Co	0.15	29	100	104	103	104	+1	Ostern	0.24	61	924	376	224	215	-2	
App	1	12	210	144	144	+1	Coned FIDA	0.04225	101	139	138	138	138	+1	Hiltchene	0.12	12	79	31	32	32	+1	Pegasus G	0.40122	2575	224	224	215	215	-2	
App	1.04	2	187	181	181	-1	CrossAT A	0.64225	101	139	138	138	138	+1	Houkville	0.2	380	415	415	415	415	+1	Perini	0.80	2	112	12	11	12	-1	
App	0.64950	167	181	181	181	-1	Crown C B	0.40	10	3	17	17	17	+1	Hunziker	0.20	326	154	150	152	152	+1	Pet Help	0.88	26	202	202	202	202	+1	
App	0.1	2	2005	74	74	-1	Crown C B	0.40	14	74	162	162	162	+1	Hutton A	0.50	18	70	34	34	34	+1	Philly LD	0.23	20	1154	764	745	745	+1	
App	2	852	15	12	12	-1	Cubic	0.53	60	21	21	21	21	+1	Hutton A	0.50	18	70	34	34	34	+1	Play Gens	0.12	28	646	215	21	21	-1	
App	0.72	70	719	123	123	-1	Custommeds	15	23	24	24	24	24	+1	PNC	0.95	16	82155	154	154	154	-1	Presidio A	0.10	1	348	25	24	24	-1	
App	0.5	1	155	12	12	-1	DI Inds	13	2100	15	15	15	15	+1	Prudential	0.34	51004	304	304	304	304	+1	ReaganBrad	32	3	219	54	54	54	-1	
App	0.2	104	34	32	32	-1	Dimark	22	170	134	132	132	132	+1	R&B W Corp	0.3	219	10	10	10	10	-1	ReedCraw	4	10	25	25	25	25	-1	
App	0.2	62	7	7	7	-1	Ducommun	5	1	500	3	3	3	+1	Richards	0.12	0	158	15	15	15	-1	SAW Corp	2.10	10	15	36	37	36	-1	
App	1	14	191	154	152	-1	Duplex	0.48	60	27	112	114	112	+1	Shinnikin	0.30	205	22	22	22	22	-1	Shinnikin	30	205	22	22	22	22	-1	
App	0.2	14	154	152	155	-1	DWG Corp	18	525	314	303	303	303	+1	Sixty	0.04	32	3019	432	31	32	+1	St El	0.04	11	1615	11	10	10	-1	
App	0.55	1	35	41	41	+1	EastCo	0.45	15	20	121	123	121	+1	Sunbelt	25	225	75	65	65	65	-1	Sunbelt	2.10	10	15	36	37	36	-1	
App	0.66	37	15	20	20	-1	EastGroup	1.721975	386	194	194	188	188	+1	Katena	21	17	13	13	13	13	+1	Sunbelt	30	205	22	22	22	22	-1	
App	0.04	25	252	156	156	-1	Echo Bay	0.07	57	7713	134	123	134	+1	Katzman C	23	2	4	4	4	4	+1	Sunbelt	0.04	11	1615	11	10	10	-1	
App	0.29	14	97	87	87	-1	Edsel En A	0.28	12	15	15	15	15	+1	Kirby Exp	33	208	22	22	22	22	-1	Sunset	37	7	7	7	7	7	-1	
App	0.29	18	837	178	163	-1	Edsel En A	0.48	15	20	121	123	121	+1	Laherpe	13	154	24	115	115	115	+1	TB Ind	31	441	4	4	4	4	-1	
App	0.29	14	97	87	87	-1	Edsel En A	0.28	12	15	15	15	15	+1	Laser Test	25	205	65	65	65	65	+1	Tab Prod	0.20	51	118	49	49	49	-1	
App	0	2	2	1	1	-1	Edsel En A	6	48	85	85	85	85	+1	Lea Pharma	16	50	112	112	112	112	+1	Tab Prod	0.20	51	118	49	49	49	-1	
App	0.40	22	678	18	17	-1	Edsel En A	19	19338	45	44	45	45	+1	Lionel C	0	246	1	1	1	1	+1	TeleDyne	0.34	80	1883	49	49	49	-1	
App	0.50164	124	236	236	236	-1	Edsel En A	93	10059	34	34	34	34	+1	Lumex Inc	14	212	115	115	112	112	+1	Thermex	71	1282	33	33	33	33	-1	
App	0.50	34	882	125	125	-1	Epitope	11	346	192	192	192	192	+1	Lynch C	7	2103	234	234	234	234	+1	TopRHA	0.20	34	340	15	15	15	-1	
App	0.50	42	206	65	65	-1	Epitope	0.64	13	72	354	354	354	+1	MaterSci	24	845	237	237	234	234	+1	TownCity	0.1	78	5	5	5	5	-1	
App	0.50	41	3	10	10	-1	Fair Inds	1.30	11	9	89	87	87	+1	Maxxam	3	348	414	414	444	444	+1	TownCity	0.20	1023	5	5	5	5	-1	
App	0.50	65	73	41	41	-1	FedCityBnc	0.22	12	3	11	11	11	+1	Media A	0.44	29	172	201	274	274	+1	UnivPrints	5	399	12	12	12	12	-1	
App	0.30	10	218	24	24	-1	Fluke JI	0.52	65	45	26	26	26	+1	Mem Co	0.20	3	25	4	4	4	+1	US Cellul	22	728	23	23	23	23	-1	
App	1.04	14	21	134	134	-1	Forest Ls	30	1471	55	48	52	52	+1	Moog	13	86	87	87	87	87	+1	Weatherhead	26	984	23	23	23	23	-1	
App	0	20	2	2	2	-1	Frequency	4	38	51	51	51	51	+1	MSR Eng	2	2	2	2	2	2	+1	Weatherhead	0.60	26	61	28	28	28	-1	
App	0.20	14	24	223	22	23	-1	Friction	12	2750	324	324	324	324	+1	Mat Part	10	426	412	412	412	412	+1	WEET	1.12	18	2250	12	12	12	-1
App	0.28	15	12	11	10	-1	Geiter	0.70	15	643	233	233	233	+1	Mid West	34	162	205	205	205	205	+1	WEET	0.60	18	52	22	21	21	-1	
App	0.01	9	412	4	4	-1	Goldfarb	0.70	31	228	185	185	185	+1	Min Corp	0.20	18	5	5	5	5	+1	Worthe	0.60	18	52	22	21	21	-1	
App	0.01	10	46	5	4	-1	Goldfarb	0.70	31	228	185	185	185	+1	Min Corp	0.20	18	5	5	5	5	+1	Xonim	6	139	5	5	5	5	-1	

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THE DAILY
MAIL TIMES

FINANCIAL PLANNING ends with something for everyone

Perrier battle the
water bottle

AMERICA

Mr Greenspan helps lift Dow to new heights

Wall Street

US stocks again surged into record territory yesterday morning after reassuring remarks on inflation by the chairman of the Federal Reserve Board, writes Frank McCurry in New York.

By 1 pm the Dow Jones Industrial Average was 24.33 ahead of 3,978.76, well above Friday's all-time high closing of 3,945.43. The more broadly based Standard & Poor's 500 kept pace with the bellwether index, adding 3.59 to 482.29. In the secondary market, the American SE composite climbed 1.37 to 484.89 while the Nasdaq composite, up 3.12 to 799.65, was flirting with the 800

Mexican stocks achieved new highs for the third consecutive trading day, the IPC index climbing 40.59, or 1.5 per cent, to 2,783.79 by midsession. The market had early help from Telmex on positive earnings expectations and a US broker's upgrade, but mining issues took over later, showing a gain of 5 per cent.

mark for the first time.

Volume on the NYSE was high, with 182m shares traded by 1 pm.

Stocks had several developments working in their favour. The powerful advance staged by the Nikkei index overnight, amid optimism over the progress of Japanese political reform, set an upbeat tone for the session's opening.

The positive sentiment was reinforced by Mr Alan Greenspan, the Fed chairman, who told a Congressional committee that the central bank was committed to stamping out inflationary pressures in the economy.

The vigilant tone of his remarks brought firmer prices to longer-dated US Treasury bonds, which are particularly sensitive to inflation. By midday, the 30-year benchmark bond was 1/4 ahead at 100 11. In another favourable devel-

opment, the world's leading aluminium-producing countries announced a deal to cut global production. The agreement gave a big lift to the share prices of US suppliers of the basic metal.

Alcoa, a component of the Dow industrial index, surged \$3 to \$70.6, a new 52-week high for the stock. Reynolds climbed \$2 to \$53.75, Alcan \$1 to \$24.75 and Phelps Dodge \$1 to \$44.75.

The market received at least one piece of unwelcome news.

The Purchasing Management Association of Chicago revealed a modest downturn in its January index of economic activity, which may be a preview of today's national survey. In spite of the indication of a slowdown, stocks closely linked to broad economic trends continued to gather strength. Caterpillar was 31¢ higher at \$105, a 52-week high.

Fourth-quarter results released by Xerox impressed investors. With revenues generated by the company's core processing activities somewhat better than expected, the stock was marked up \$5 to \$97.50, well above its previous 52-week high mark of \$83.75.

Canada

Toronto mirrored New York, supported by a rally in banks and base metals. The S&P 300 composite index rose 4.428 to 4,536.49 in volume of 43m.

Base metals, driven higher by Alcan Aluminium, led the advance. The sub-index rose by 10.66 or 2.7 per cent to 3,799.45 as Alcan jumped C\$1.10 to a 52-week high of C\$32.75.

SOUTH AFRICA

Shares closed generally firmer, helped by strong performances from equity markets worldwide. The golds index was up 32 to 1,937.32, the industrial index 33 to 5,538 and the overall index 29 to 4,754. Anglos put on R2.55 at R133.55.

EUROPE

BMW in the lead as automotive stocks climb

A good day for several car stocks took in the Rover/BMW deal, bullishness in France after weekend measures to boost consumption, specific hopes for Fiat in 1994 and a new high in Volvo, writes Our Markets Staff.

FRANKFURT, excited by interest rate hopes and the BMW/Rover deal, saw the Dax index rise 43.98 to 21,774.45 in the session and threaten 2,300 in the post-bourse, closing another 15.15 higher at 2,192.20.

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ASIA PACIFIC

Nikkei powers 7.8% ahead after reform agreement

Tokyo

Share prices soared on the passage of the political reform bills through parliament over the weekend, and the Nikkei average jumped 7.8 per cent, rising above 20,000 for the first time in three months, writes Enrico Terziano in Tokyo.

The Nikkei rose 1,471.24, the third largest gain on record, to finish at the day's peak of 20,229.12. The index opened at the day's low of 18,790.75, with many shares failing to trade until the afternoon session because of a flood of buying orders from overseas and domestic investors.

A sharp fall in the bond market also supported sentiment, raising hopes that it would cause a shift in funds to equities. The yield on the No 157 10-year benchmark rose 5 basis points to 3.54 per cent, the highest since last November.

Some domestic and foreign brokers believe that yesterday was a turning point for the market and the country's economy, but others have doubts. Many investors are still wary of corporate profit-taking ahead of the March book closing, and point out that buying by foreigners, who have been the main driving force for the

income tax cut now that the government has political reform out of the way. The announcement of a package of tax cuts and fiscal stimulus, estimated at around Y13,000bn is expected on Thursday.

Volume was 800m shares, against 237m, with foreign and domestic individual investors actively buying shares. Almost all listed issues posted gains, with 1,109 advances, three declines and seven unchanged.

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